As of 4 p.m. ET **DJIA** 10325.26 ▲ 0.04% **FTSE 100** 5354.52 ▲ 1.45% **Nikkei 225** 10126.03 ▲ 0.24% **Shanghai Comp.** 3051.94 ▼ 0.28% **Hang Seng** 20608.70 ▲ 1.03% **Sensex** 16429.55 ▲ 1.08% **S&P/ASX 200** 4637.72 ▲ 0.95%

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THE VIEW FROM HONG KONG 17

New Delhi's budget abracadabra

EDITORIAL & OPINION 11

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Agence France-Presse

A man sits among his belongings on a street in Penco, Chile, after a tsunami hit the town Sunday, a day after a major earthquake rocked the country.

Chile surveys quake's toll

TALCA, Chile—Chilean rescuers searched collapsed buildings for survivors a day after one of history's most powerful earthquakes shook the South American nation, killing at least 300 and sending a pulse of potentially dangerous waves across the Pacific basin.

By Anthony Esposito, Carolina Pica and Jeff Fick

In Japan, officials steadily downgraded their warnings of a serious tsunami hitting the country after the coastline was touched by a series of waves considerably smaller than the worst-case predictions. There were no reports of serious damage or injuries as of early evening.

Still, officials didn't give an all-clear signal. The latest statement, issued at about 9 p.m. Sunday local time, warned that a second round of stronger waves could still yet hit the island in the night and urged more than 600,000 people in vulnerable areas to stay away from their homes awhile longer.

"Please don't go near the coastline until the tsunami warning has been called off even if the first wave appears small," Yasuo Sekita, head of earthquake and tsunami section of the Japan Meteorological Agency said in a late-afternoon briefing. "There is still a chance of a big tsunami coming ahead. If we look at the historical evidence, it might take several more hours."

A tsunami in May 1960, also triggered by an earthquake in Chile, resulted in an initial small tsunami followed later by a larger one that struck the coasts of Hokkaido and the Sanriku region. In that incident, 140 people were killed or missing, according to Kyodo News Service.

As of 6:30 p.m. local time, the largest wave reported to have hit Japan was about 1.45 meters—considerably smaller than the three meters included in earlier warnings.

Saturday's 8.8-magnitude quake in Chile—the fifth-biggest ever measured—struck around 3:30 a.m. local time, toppling buildings, contorting roadways and cutting power and communications. At least 10 aftershocks hit, prompting some wary survivors to sleep outside the following night.

Stark scenes of damage underscored the quake's unusual power. Outside Chile's capital, Santiago, 320 kilome-

Please turn to page 16

U.K. firm explores AIG unit purchase

Prudential PLC is exploring a purchase of Asian life-insurance operations from **American International Group** Inc. in a deal that could be valued at $30 billion or more and dramatically transform the U.K. insurance and asset-management company, people familiar with the matter said.

By Dana Cimilluca, Jeffrey McCracken And Serena Ng

For AIG, a deal for **American International Assurance** Ltd., or AIA as the business is known, would mean a sale of the unit, rather than an initial public offering. An IPO of AIA to raise at least $10 billion has been planned for the coming months as the U.S. insurance company needs to repay a government bailout.

A deal could come in a week, according to one of the people. The deal being discussed calls for Prudential to pay mainly in cash with a bit of stock, though terms are still being worked out, this person said. Another person familiar with the situation said an announcement of

Please turn to page 16

Toyoda to reassure Chinese

BY NORIHIKO SHIROUZU

BEIJING—Akio Toyoda's planned visit to Beijing reflects the importance for **Toyota Motor** Corp. of containing damage to its reputation in China's huge market, where the Japanese company was struggling even before its recent recall problems.

The 53-year-old Toyota president and grandson of the company's founder is expected to hold a press conference in the Chinese capital Monday to address quality concerns, the company said. He also is expected to meet with high-level government officials to remind them of the company's commitment to safety and quality, according to Toyota executives who briefed reporters Sunday night.

Associated Press

Akio Toyoda

"Given China's strong sense of rivalry with the U.S., after we explained our situation to American lawmakers and apologized to U.S. customers last week, there isn't an option for Mr. Toyoda and the company to skip China," one U.S.-based senior Toyota executive, who is close to the Toyota president, said in a telephone interview Sunday. According to Toyota, Mr. Toyoda arrived in Beijing Saturday night after flying to China directly from the U.S.

Toyota's quality issues haven't been as severe in China as in the U.S., where it has recalled millions of cars over problems with accelerator pedals and other issues. In China, Toyota recalled 75,552 RAV4 vehicles, a tiny fraction of the 8.5 million vehicles it has recalled world-wide.

But Toyota's overall recalls in China rose sharply last year—it recalled a total of 989,000 vehicles in China in 2009, up from the 209,000 in 2008. And China's quality watchdog warned in a notice late last week that there could be more Toyota cars in China affected by the current recalls, pointing to the existence of Toyota cars brought into China outside its formal distribution channels. A Toyota spokesman said the number of such cars in China should be "very small."

Toyota was late to expand in China, and it has lagged behind global rivals like **Volkswagen** AG and **General Motors** Co. That has hurt the company, as China overtook the U.S. last year as the world's biggest car market, with sales surging about 50% to 13 million vehicles, compared with just over 10 million in the U.S.

Toyota fell severely behind the market last year—its sales

Please turn to page 16

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PAGE TWO

What's News—

* * *
Business & Finance

■ **Chinese Premier Wen sought** to allay jitters on a range of issues, pledging to maintain economic growth while managing inflation and expressing hope for improvement in China-U.S. relations in a rare, public Internet chat session that underscores Beijing's growing use of the Web. **3**

■ **A plan led by Germany** and France to bail out Greece with aid of as much as $40.85 billion has begun to take shape, officials said, but the timing and terms of any rescue remained unclear. **8**

■ **Stocks and commodities** are traveling on parallel tracks again, in a sign that some investors are worried about a train wreck in the markets. **17**

■ **Malaysia's central bank chief**, noting that Asia's recovery has outpaced expectations, signaled that time is drawing nearer for interest rates "to be normalized." **6**

■ **Apple said audits** of its suppliers revealed 17 core violations of its policies, including cases in which contractors hired underage workers. **21**

■ **HSBC's chief executive** will get a bonus of as much as $6.1 million, but he is likely to give all of the money to charity. **24**

■ **Berkshire Hathaway reported** stronger underlying returns, but pockets of weakness in several economically sensitive areas crimped its results. **18**

■ **JAL reported a wider loss** for its fiscal third quarter, but said its operations are showing signs of improvement. **21**

■ **The global IPO market** has stumbled through a mess of poor pricing and performance in the first two months of the year. **22**

■ **Calpers is considering** lowering the projected rate of return the pension fund uses to make investment decisions, potentially forcing contributors to put in more money. **24**

■ **Citi plans to cut its board** to 15 from 17. Three directors will step down and former Mexican President Zedillo will join. **22**

■ **Retired Bank of America CEO** Lewis left with about $83 million in pension and insurance benefits, stock and other compensation. **24**

■ **Tata Motors swung** to a $141 million quarterly profit, thanks to a rebound in sales of Jaguar and Land Rover premium cars. **20**

■ **GM is considering** putting more of its own money into the restructuring of its Opel unit in an effort to win aid from European governments.

■ **Daiichi Sankyo plans** to create a subsidiary in April to produce and sell generic drugs in Japan. **21**

■ **MGM Mirage lenders gave** the casino more time to repay much of the $5.55 billion that would have come due next year. **20**

* * *
World-Wide

■ **A Pakistani court blocked** the government from extraditing detained Afghan Taliban leaders to any other country, raising the prospect of a new dispute between Kabul and Islamabad. **5**

■ **The Thai government** may consider new criminal charges against ousted leader Thaksin following the Supreme Court's ruling to seize more than half of his family's $2.3 billion fortune. **4**

■ **At least 50 people died** in a storm that brought hurricane-strength winds to Europe, hitting France and four other countries.

■ **Senate parliamentarian** Alan Frumin will determine what provisions stay in U.S. health legislation, which could dictate whether the overhaul effort succeeds. **7**

■ **Died: Jacques Polak**, 95, Dutch economist whose career at the IMF spanned four decades.

Associated Press

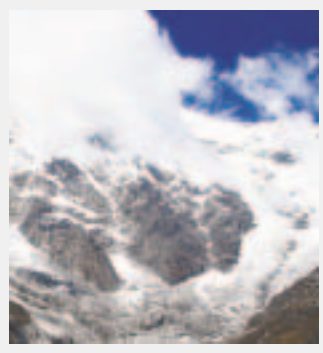
A girl takes photos of lanterns shaped like terracotta warriors Sunday in Beijing. The Chinese Lantern Festival marks the 15th day of the lunar year. China issued an urgent order to local authorities to strengthen safety measures after an explosion triggered by Lunar New Year fireworks killed 21 people in a southern village.

Inside

Heard on the Street: New Delhi's fine line on fickle deficit. **32**

Markets: Texas utility taps the power of Bush bigwigs. **22**

Management: LG Display picks up positive signals. **10**



In Depth: Climate panel moves to restore credibility. **14**

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Speakeasy

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Fireman's Fund Insurance is set to name the riskiest movie of last year. In contention are 'Nine,' '2012' and 'Inglourious Basterds.'

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WORLD NEWS

Wen engages Web users in rare chat

Chinese premier, reflecting government's growing Internet use, addresses economy, U.S. ties, but avoids politics

By J.R. Wu And Jason Dean

BEIJING—Chinese Premier Wen Jiabao sought to allay jitters on a range of issues, pledging to maintain economic growth while managing inflation and expressing hope for improvement in China-U.S. relations in a rare, public Internet chat session that underscores the government's growing use of the Web.

Mr. Wen's exchange with Internet users Saturday came ahead of the annual full session of China's legislature, the National People's Congress, which starts Friday with the premier's annual work report laying out the policy agenda for the coming year.

The chat session, which Mr. Wen first did last year on the eve of the NPC, is part of broader efforts by the ruling Communist Party to make the government seem more responsive and accessible to the public, which generally has almost no chance to interact with its leaders.

While China's government in recent years has tightened already strict controls over the Internet, officials have also sought to use the technology as a tool to monitor public opinion and to try to explain their policies to an increasingly vocal and demanding citizenry.

That is especially evident with the NPC, whose nearly 3,000 members have little power—they are largely expected to ratify laws and plans set by party leaders—but which the leadership wants to be seen as a conduit for public involvement in policy making.

Mr. Wen said 2010 will be a 'complicated' year for the domestic economy, but that he is confident.

In addition to the premier's Web chat, for example, the government has established online suggestion sites where citizens can propose or comment on policies.

Mr. Wen's chat session elicited more than 60,000 questions, according to the state-run Xinhua news agency, which arranged it.

Mr. Wen didn't address sensitive political issues in the two-hour discussion, but spoke on economic and social subjects ranging from employment and health care to product safety and the coming Shanghai Expo.

Asked about soaring housing prices that have raised fears of a property bubble and that many Chinese complain have made new homes unaffordable, Mr. Wen vowed to crack down on speculation and to boost the supply of low-cost apartments.

"I am determined that this administration will be able to deal with this problem during its current term," said the 67-year-old premier, who is scheduled to retire in 2013.

Concerns about asset-price inflation have been on the rise in China after a government-backed surge in bank lending last year to stimulate economic growth.

Policy makers in China have been tightening their oversight on bank lending and the People's Bank of China has already twice this year ordered banks to keep a larger portion of their deposits parked with the central bank in an effort to mop up liquidity.

Mr. Wen said 2010 will be a "complicated" year for the domestic economy, but that he is confident.

"Currently we are still carrying out a moderately loose monetary policy. That is to say 'moderately loose' is on the one hand ensuring stable and relatively fast economic development, and on the other hand being able to manage inflation expectations," Mr. Wen said, adding that managing inflation expectations is a "major task" this year.

The premier was also asked about trade ties with the U.S., where friction has been increasing in the past year over allegations of dumping and other unfair practices.

Mr. Wen didn't address the most sensitive aspect of that issue—U.S. complaints that China artificially suppresses the value of its currency to boost its exports—but said "we hope China-U.S. trade frictions can ease."

Mr. Wen reiterated that China doesn't seek a trade surplus and wants economic and trade ties with the U.S. to be balanced and sustainable, and again called on Washington to remove limits on its high-technology exports to China.

"We also don't hope for this year to become an unpeaceful year in the China-U.S. economic and trade relationship. This will require both sides to work together," Mr. Wen said.

Agence France-Presse/Getty Images

A Web user watches Chinese Premier Wen Jiabao's Internet chat on Saturday.

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WORLD NEWS

Japan looks hard at trimming huge debt

[THE OUTLOOK]

By Yuka Hayashi

TOKYO—Will global markets start to treat Japan as the next Greece?

Bond traders up to now have been relatively sanguine about Tokyo's massive pile of government debt. But that attitude could be tested over the next three months, as Japan's new center-left government nears a self-imposed June deadline for crafting a plan to get its fiscal house in order. Out-of-control sovereign debt is what plunged Greece into crisis.

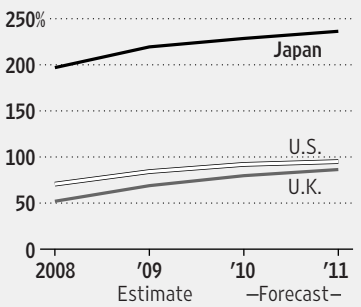
The main tool being considered to address Japan's debt problem is an increase in the nation's sales tax, which at 5% is currently among the lowest in the industrialized world. In Europe, such taxes run closer to 20%. But members of Prime Minister Yukio Hatoyama's cabinet also worry that a tax increase could hammer consumer spending and push the country back into recession.

Japan has to do something. Government debt in the world's second-largest economy has swollen to more than twice the size of its annual gross domestic product, and some analysts question how long Japan can keep borrowing without causing a spike in borrowing costs, or, in a worst case scenario, a default.

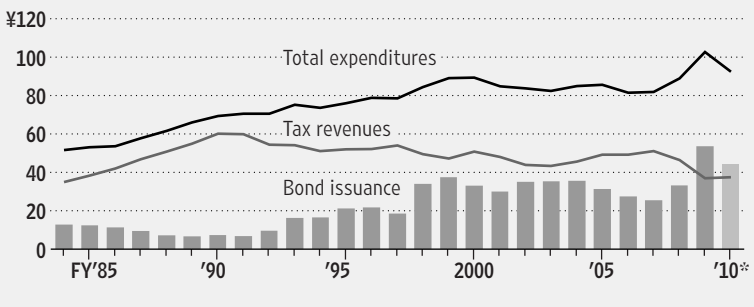
Pundits predicting a looming Japanese debt crisis have already set off brief spasms of selling in Japan's government bonds. Standard & Poor's in January warned it might downgrade the country's sovereign-debt rating to levels below those of Chile.

Japan's fiscal outlook

National debt levels, in percent of GDP



Trends in Japan's fiscal conditions, in trillions of yen



Sources: IMF (debt levels); Ministry of Finance, Japan (Japan's fiscal conditions)

*Forecast

Moody's on Thursday also threatened to cut its view on Japan if the country fails to put together a convincing plan for debt reduction.

"We will be looking closely whether the targets are clearly identified," said Thomas Byrne, a Moody's analyst who focuses on Asian government debt.

Tokyo's promised a "medium-term fiscal framework," due out in June, should spell out its stance on spending and revenue for coming years.

A committee of a dozen lawmakers and private-sector economists have met every two weeks since late January to prepare the report.

Mindful that many are watching how the government tackles its debt problem, Mr. Hatoyama has backed away from costly promises made during his election campaign, such as eliminating highway tolls and high school tuition. The prime minister's aides are also putting more pressure on the Bank of Japan to be more aggressive in fighting deflation, the problem seen as the root cause of Japan's two-decade-long economic malaise.

It's against this background that Finance Minister Naoto Kan recently started talking about boosting Japan's sales tax. But it comes with strings attached: The government has repeated a campaign pledge not to implement such an increase until 2013.

Raising the tax could hurt Mr. Hatoyama's party in future elections, including elections for the upper house of parliament set for July.

The idea is unpopular with voters, especially Japan's large bloc of senior citizens. But advocates say a tax increase is probably the most effective way to reduce the deficit and secure funds to cover the nation's ballooning pension and medical costs.

Experts generally agree an increase in the sales tax is inevitable, but differ on how it should be implemented. Some argue any increase should be phased in slowly and not started until it's clear it won't kill Japan's economic recovery.

Japan has gone down this road before. A 1997 sales-tax increase triggered a sharp drop in consumption and was blamed for pushing the economy back into a slump and sparking a broad decline of prices for goods and services in the economy.

The tax idea faces opponents inside the government too. International Affairs Minister Kazuhiro Haraguchi, said, "I'd like to point out boosting tax burdens when [Japan's] regions and economy are fatigued like this would only result in lower tax revenues."

But others argue that, done right, a tax increase could aid economic recovery. For instance, Toshihiro Nishibori, a University of Tokyo economics professor, said the government should start raising sales taxes now, but spread it over 10 years by increasing it by one percentage point every year.

This method, Mr. Nishibori explains, will not just soften the blow to consumers but would help reverse deflation by creating inflationary expectations. According to this logic, consumers would be expected to slash spending if the tax is suddenly raised by 10%. But if it goes up gradually, with the knowledge that it will keep climbing, people will continue to spend.

"In this way, a tax hike will work as economic stimulus while at the same time improving fiscal conditions," Mr. Nishibori said.

Japan's financial health has deteriorated over the past two decades and, by some measures, Japan's fiscal health is among the worst among major economies.

The nation's gross government debts soared to 229% of its GDP this year, compared with 92% for the U.S. and 118% for Italy, according to the International Monetary Fund.

Still, some experts say worries about Japan's debts are overblown.

"The chance of Japan defaulting on its debt is very small and a spike in long-term interest rates is a risk for a few years down the road," said Tomoya Masanao, a fund manager watching Japan at bond fund Pimco.

Also working in Japan's favor is the fact that nearly 95% of its outstanding government debt is held by domestic investors, a group who has few other investment options. In the U.S., foreigners hold roughly a quarter of the outstanding Treasury notes, making the market inherently more unstable.

—Tomoyuki Tachikawa contributed to this article.

Thailand seizes part of Thaksin's billions

By James Hookway
And Wilawan Watcharasakwet

BANGKOK—The Thai government is considering whether to file new criminal charges against ousted leader Thaksin Shinawatra following the decision by the nation's Supreme Court to seize more than half of his family's $2.3 billion fortune.

On Saturday, the day after the court's ruling, Prime Minister Abhisit Vejjajiva said the office of Thailand's attorney general will examine whether further cases can be pursued against Mr. Thaksin for allegedly damaging the interests of the state by directing policies favorable to his family businesses. A number of cases already are pending in civil courts.

On Friday, the nine-member Supreme Court ruled that the fugitive politician abused his position to illegally expand his telecommunications business and said it will confiscate $1.4 billion in frozen family bank accounts. The ruling was read out over the course of several hours while some 20,000 riot police locked down parts of the Thai capital, a nod to Mr. Thaksin's continued pull in a country deeply divided between the former leader's populism and the conservatism of the country's old-guard ruling elite.

Mr. Thaksin, who condemned the ruling in a video-link speech to supporters, has instructed his lawyers to examine whether there are any fresh grounds for appeal, which must be submitted within 30 days.

Late Saturday, grenades exploded outside two branches of Bangkok Bank in the capital, causing slight damage and no injuries.

Academics and analysts said the government could use the ruling to justify the 2006 army coup that installed Thailand's military-backed government. But political analysts said the ruling may do little to ease tensions because it is unlikely to satisfy either side.

The government has said that it left the Thaksin matter up to the country's judiciary and that its troop deployment was an attempt to maintain law and order.

The situation could have been worse for Mr. Thaksin, who feared losing the entire $2.3 billion in frozen accounts. The Supreme Court said "to seize all the money would be unfair since some of it was made before Mr. Thaksin became prime minister."

Mr. Thaksin, who fled to Dubai and has been orchestrating political efforts in Thailand from self-exile, could potentially use some of the remaining funds to finance supporters' efforts to win back power in one of Southeast Asia's anchor economies. The 60-year-old Mr. Thaksin told supporters in his video-link speech he hadn't done anything wrong. He urged them to continue campaigning for democracy.

In the aftermath of the 2006 coup, army leaders accused Mr. Thaksin of rampant corruption. Military-appointed officials froze his Thai-based assets, despite the telecom billionaire's popularity in many of Thailand's vote-rich rural areas. It is unclear how much of Mr. Thaksin's wealth remains untouched overseas, or how the government will use the confiscated money.

Friday's ruling underscore the increasingly pivotal role that Thailand's judiciary plays in attempting to resolve the country's bitter political conflicts. In 2006, a few months before the coup, Thailand's constitutional court voided a snap election that returned Mr. Thaksin to power after opposition parties boycotted the vote. In 2008, Thailand's Supreme Court convicted him of conflict of interest in a real-estate deal involving his wife and the central bank, and sentenced him to two years in prison. Mr. Thaksin had by then fled Thailand.

Mr. Thaksin says the allegations against him are politically motivated. Many of his supporters say his legal problems reflect the sense of injustice felt by many of Thailand's rural poor who have been left behind by the country's economic boom since the 1980s.

"The court has no right to take his money. He was rich before he became prime minister," said Vichaya Kooviboonsin, a 35-year-old government clerk who was among several hundred demonstrators protesting the court case against Mr. Thaksin. "All we're asking for is a fairer society."

Analysts say Mr. Thaksin skillfully tapped into ordinary Thais' resentments by offering low-cost health care and discounted loans to create the most powerful populist movement the country has seen. He remains the only Thai premier to have completed his term in office.

In the days before Friday's court verdict, government officials appeared uneasy about the possibility of violence if the ruling went against Mr. Thaksin. In April 2009, massive antigovernment rallies in Bangkok turned violent after Mr. Thaksin's supporters went on a rampage, hijacking buses and building blazing barricades on many of the city's main roads. Before Friday's court session, Mr. Abhisit ordered the riot-police deployment to prevent any repeat.

On Friday, the demonstrations were sporadic and largely confined to a park near the Supreme Court building. Judges were taken to the courthouse in bulletproof cars.

Late Saturday, hand grenades exploded near two Bangkok Bank branches, causing slight damage and no injuries.

Mr. Thaksin's so-called red-shirt followers—named for their choice of clothing—now say they plan to hold a rally in Bangkok on March 14. Their ability to attract large numbers of supporters could provide an indication of how long Thailand's political conflicts will continue.

Political analysts say the movement is already beginning to evolve beyond its origins as a support group for Mr. Thaksin into an effective grass-roots political movement in its own right. While their interests sometimes intersect with those of Mr. Thaksin, red-shirt leaders such as Jatuporn Prompan say the group aims primarily to limit powerful generals' and bureaucrats' influence on the political system.

The Supreme Court ruled that while serving as prime minister, Mr. Thaksin and his former wife, Pojaman na Pombejra, broke the law by concealing their ownership of shares in Shin Corp., the telecom company Mr. Thaksin founded.

A judge reading out the ruling also said Mr. Thaksin's government introduced satellite policies that favored a Shin Corp. unit, Thaicom PCL, formerly known as Shin Satellite PCL. Mr. Thaksin and Ms. Pojaman say they legally sold their shares to family members before he became premier in 2001.

WORLD NEWS: ASIA

Pakistan blocks Taliban extradition

Court's decision, which follows capture of key terror suspects, could spark new row between Kabul and Islamabad

By Zahid Hussain

ISLAMABAD—A Pakistani court has restrained the government from extraditing Afghan Taliban leaders recently detained by its intelligence services to any other country, raising the prospects of a new row between Kabul and Islamabad.

A panel of the Lahore High Court headed by Chief Justice Khawaja Sharif ordered the government not to extradite the Taliban leaders until the court gives its decision on a petition filed by a human-rights activist, Khalid Khawaja. He had filed a petition that said the Taliban leaders were arrested in Pakistan and should be tried under Pakistani laws. The court will resume its hearing on March 15.

The decision came Friday as Afghan President Hamid Karzai in an interview with a Pakistani newspaper said his government will send a formal request to Islamabad for the extradition of Afghan Taliban leaders recently rounded up in a Pakistani sweep.

Pakistani intelligence services have seized at least six senior Afghan Taliban leaders including members of the group's leadership council also known as the Quetta Shura for the name of the western Pakistani city where most of the senior Afghan insurgent leaders are believed to be residing.

Pakistani and U.S. intelligence agencies recently arrested Mullah Abdul Ghani Baradar, a deputy to Mullah Mohammed Omar, the supreme commander of the Afghanistan Taliban movement, in the southern port city of Karachi.

His detention followed the capture of some other insurgent commanders including Mullah Abdul Kabir, a former deputy prime minister in Afghanistan's ousted Taliban regime.

A senior Pakistani official familiar with the latest crackdown said six Taliban leaders are in the custody of Inter Services Intelligence, the country's main spy and counter terrorism body. They include Tayyab Popalzai, who is believed to be a close associate of Mullah Omar, and was recently arrested by security agencies. It isn't clear when and where he was seized.

In the interview with the News, a Pakistani newspaper, Mr. Karzai said that his government was soon going to send a formal request to Islamabad for the handover of Mullah Baradar and other detained Afghan leaders to the Afghan government.

"The detained Taliban leaders are Afghans, therefore their future should be decided in Afghanistan," Mr. Karzai said.

Pakistan's interior minister said earlier that the Pakistani government would consider a formal request from Kabul for the extradition of Mullah Baradar. But a few hours later, a statement from the interior ministry said the detained Taliban leader could face charges for illegally entering Pakistan.

On Friday, Taliban gunmen and suicide bombers attacked a major hotel and two guesthouses in the Afghan capital, killing at least 17 people and showing the group remains a potent force despite a string of recent setbacks.

The dead included Indian Army officers, a French filmmaker and an Italian diplomat who was slain in his room after phoning information about the assailants to officials.

India's foreign ministry said it was trying to determine whether its nationals were deliberately targeted, a conclusion reached by Afghan police but denied by a Taliban spokesman.

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WORLD NEWS: ASIA

Interest rate 'normalization' nears

Malaysia's central bank chief says recent 'extraordinary circumstances' no longer prevail as recovery strengthens

By Alex Frangos

SIEM REAP, Cambodia—Malaysia's central bank governor, noting that Asia's recovery has outpaced expectations, signaled Sunday that the time is drawing nearer for interest rates "to be normalized."

"Growth has happened to be better than expected, and going forward we also expect it to strengthen further," Zeti Akhtar Aziz, governor of Bank Negara Malaysia, said in an interview at a conference of regional central bank heads.

While declining to say whether Malaysia will raise interest rates at its next policy meeting on Thursday, she noted that "the extraordinary circumstances" requiring super-low interest rates and government stimulus "no longer prevail."

She added that "at some point interest rates will have to be normalized," arguing that it is "not a tightening because the levels are so low that it will still be very supportive of growth."

Many Asian economies—including China, Malaysia, Taiwan, Thailand and Singapore—reported stronger-than-expected growth in the fourth quarter.

Moderate price inflation has also returned. While Australia, China and India have moved to tighten credit, much of East Asia has so far held back.

Ms. Zeti attributed robust fourth-quarter growth to government stimulus that took effect faster than anticipated, and to the sharp bounce in trade, especially within Asia. Unemployment has remained muted, helping to boost consumer confidence. And banks are better able to lend than in the developed world.

A "more significant part of our trade is within the region. That's a new development and it has intensified," she said.

While some of that increase in trade is for components that will eventually end up in stores in the U.S. and Europe, Ms. Zeti said "a higher percentage now is for domestic demand" within Asia. "Emerging markets have reached a stage where they can contribute to global growth," she added.

Ms. Zeti said the euro-zone crisis sparked by concern about Greece's high debt levels isn't going to hamper Asia's upturn. "I do believe that any disruptions that occur in financial markets, Asia can absorb these," she said.

Ms. Zeti was attending an annual conference of central bankers organized by the South East Asian Central Bank Research and Training Centre, or Seacen. The 16 economies represented, which don't include China, India or Japan, said in a communiqué that they discussed the "timing, sequencing and the possible spillover effects of the exit strategies."

While not mentioned explicitly, complicating the exit from loose monetary policy for most of Asia's exporters is China's currency.

China has maintained a de facto peg against the U.S. dollar since July 2008, a situation that makes it difficult for neighboring central banks to raise interest rates to fight inflation without causing local currencies to rise further against the Chinese yuan and make exporters less competitive.

When asked about the yuan issue, Nestor Espenilla, a deputy governor at the Philippines central bank attending the conference, referred to concern over "the potential misalignments in currencies" as economies recover at various speeds. The issue "can't be dealt with on a single-country basis," he said.

Ms. Zeti said she didn't believe China's exchange-rate policy "is an important factor in determining the performance of exports to other countries." She noted that while Malaysia has seen certain industries flee—such as air-conditioner manufacturing—it has moved into other areas where it is more competitive, such as financial services.

"If an economy is rigid, it has problems in adjusting and it looks at others and says it's because they have undervalued exchange rates and they took away our industries," she said.

Most of Asia's developing economies have large foreign-exchange surpluses and low government debt levels.

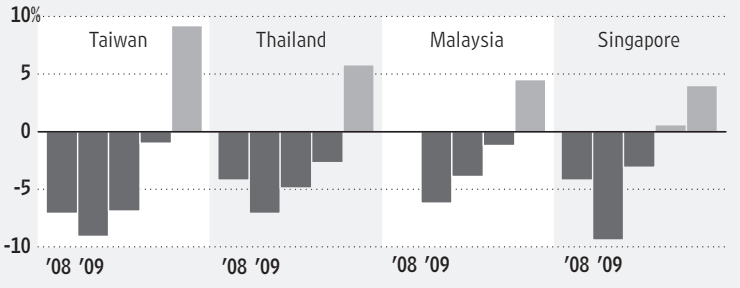
That stands in sharp contrast to the challenges facing the U.S. economy, in particular the withdrawal of monetary stimulus and the swelling public-sector debt, both of which were a topic of discussion at the conference.

"When the recovery takes place, [the U.S. Federal Reserve] may not also be in a position to pull it back as fast as they put it out," said Ajith Cabraal, Sri Lanka's central bank governor. "That's naturally going to be a massive challenge for the U.S. and, during that period, a massive challenge for the rest of the world, too."

He compared the U.S.'s fiscal problems to global warming, the melting of polar ice and rising sea levels. "So long as the ice is there and stable, it's fine. But when it melts, it has nowhere to go but to the rest of the world."

Asia on the rebound

Quarterly GDP of selected Asian economies, change from previous year



Sources: Directorate-General of Budget, Accounting and Statistics, Taiwan; Office of the National Economic and Social Development Board, Thailand; Department of Statistical Malaysia; Ministry of Trade and Industry Singapore

South Korea awaits news about alleged detainees

By Evan Ramstad

SEOUL—Two days after North Korea said it detained four South Koreans for allegedly entering the authoritarian state illegally, South Korea's government on Sunday said it still had received no details about the matter from Pyongyang.

The situation is the second in five weeks in which North Korea claimed to arrest trespassing foreigners but provided no more information. In late January, it announced the detention of an American who it said crossed into its territory illegally. U.S. diplomats, with help from sympathetic diplomats in Pyongyang, have tried to learn more from North Korean authorities but have been told nothing.

The alleged detentions add a complication to the effort by China, the U.S., South Korea and two other countries to get North Korea to resume diplomatic talks about ending its pursuit of nuclear weapons.

On Friday, North Korea's state media issued a short statement declaring that "a relevant institution" was holding and investigating four South Koreans for illegal entry. Some leaders of activist groups that protest the North's human-rights abuses said they suspected the people could be affiliated with them, but by Sunday no further information was available.

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India contains spending

By Abhrajit Gangopadhyay

NEW DELHI—India plans to borrow heavily in the coming fiscal year but will roll back some costly spending that helped to support the economy through the global crisis as the government begins trying to repair its tattered finances.

Unveiling an 11.08-trillion-rupee ($240 billion) budget for the year starting April 1, Finance Minister Pranab Mukherjee said Friday the government will curb spending growth and put more state assets on the block as it seeks to cut the deficit to 5.5% of gross domestic product from this year's 16-year high of 6.9%, and to 4.8% the following year.

"Now that the recovery has taken root, there is a need to review public spending, mobilize resources and gear them towards building the productivity of the economy," Mr. Mukherjee told Parliament.

The budget represents a balancing act for the minister, who is trying to please voters with continued support for agriculture, education, health and job creation while also reining in the deficit and containing inflation, now over 8.5%.

Mr. Mukherjee's assurances soothed investors eager for signs that the government intends to tackle its structural borrow-and-spend tendencies now that growth in Asia's third-largest economy has rebounded enough to begin withdrawing some fiscal support.

The road map toward fiscal discipline also eased concerns that India's debt might be downgraded to "junk."

"The headline fiscal-deficit numbers look encouraging," said Andrew Colquhoun, a director in Fitch Ratings' Asia-Pacific sovereign group. The budget moves in a direction that may be consistent with a stable rating outlook, he said. Fitch has a BBB- rating on India's sovereign debt, its lowest investment grade.

Still, India has work to do. The new budget is 8.4% bigger than this year's and gross market borrowing is set at 4.57 trillion rupees for next year, above this year's record 4.51 trillion rupees.

Doubts remain about whether the government can stick to the budget. "The borrowing number was in line with our estimates, but a lot depends on what credibility you place on these numbers," said an interest-rate swaps trader. "The government can always borrow more later in the year."

Doubts remain about whether the government can stick to the budget, and not end up borrowing more.

Mr. Mukherjee told state-run television that the government must "carefully time the market borrowing to ensure that private-sector borrowings aren't crowded out."

India survived the global downturn thanks to the government's stimulus and robust consumer demand in certain areas, especially in the vast rural areas. This fiscal year's economic growth is projected at 7.2%, up from the 6.7% a year before, but it remains unclear how the economy will fare if stimulus measures are removed hastily. Growth slowed in the fourth quarter to 6% from a year earlier, down from 7.9% in the July-September period, dragged down by a contraction in farm output following the worst drought in 37 years. The government wants to return to the 9% growth seen before the financial crisis—a goal that would help India compete with regional rival China, the only major economy that is growing faster.

While emphasizing the need to re-embrace fiscal discipline that was cast aside two years ago to keep the economy on an even keel, Mr. Mukherjee said faster growth next year will bolster tax revenues, giving the government room to spend heavily in priority areas in the country's vast agricultural sector.

The government will raise taxes levied at the factory gate by two percentage points, taking back some of the four to eight percentage points that were cut in 2008-09. It will also raise the minimum alternative tax to 18% from 15%, reversing a temporary cut.

Though Mr. Mukherjee kept the services-tax rate at 10%, contrary to expectations of a two-point rise, he widened the tax base by making several previously exempt services taxable.

Mr. Mukherjee also proposed a series of personal income-tax breaks that will cut revenues by 260 billion rupees, which he hopes to offset by a gain of 465 billion rupees from higher indirect-tax rates.

Bonds rose as the government stuck to its initial deficit target, easing concerns of an overshoot in an already-mammoth borrowing plan. The benchmark 6.35% 2020 bond rose to 90.30 rupees from 90.00 rupees.The Bombay Stock Exchange's 30-share benchmark Sensitive Index rose 1.9% to 16555.18.

To add to public coffers, the government will also sell stakes in state-run companies without ceding control, Mr. Mukherjee said.

Health care goes procedural

By John D. McKinnon

WASHINGTON—The drama over U.S. health-care legislation is reaching a critical stage, and soon the spotlight may land on Senate parliamentarian Alan Frumin.

Mr. Frumin is usually offstage, standing on the chamber dais whispering with the presiding officer about obscure points of Senate procedure. To lawmakers rushing to finish their long-stalled health bill, however, the $170,000-a-year Senate appointee suddenly has attained outsize prominence and power.

That is because Democratic senators, who unexpectedly lost their filibuster-proof majority in January, are relying on arcane congressional budget rules to complete the health-care revamp.

President Barack Obama signaled his intention to move the health-care overhaul forward in his weekly radio address Saturday. "I am eager and willing to move forward with members of both parties on health care if the other side is serious about coming together to resolve our differences and get this done. But I also believe that we cannot lose the opportunity to meet this challenge," he said.

The budget rules promise a huge procedural advantage by avoiding filibusters that require 60 votes to overcome.

But there is a catch: Anything that is in a budget bill has to have a budget purpose. If not, the provision can be challenged under the "Byrd rule," named for Sen. Robert Byrd, a West Virginia Democrat.

And Mr. Frumin, as the parliamentarian, must decide whether the Byrd rule has been met.

Thus, in a series of tense private meetings known informally as "Byrd baths," it is Mr. Frumin who will determine what stays in the legislation and what goes, according to people who have taken part in the past. (Provisions that are cut become "Byrd droppings.") Mr. Frumin's decisions could dictate whether the health-care overhaul will gain momentum or collapse.

Byrd-bath meetings, which are held in the parliamentarian's cubbyhole office in the Capitol, can drag on for hours as lawmakers and staffers make their cases. Running debates can stretch over weeks.

"The whole [Byrd rule] process in my experience as parliamentarian is a rather wrenching one," said Robert Dove, Mr. Frumin's predecessor. "It's just long and grueling....I don't envy him."

The parliamentarian and his staff "are under huge pressure," said Sen. Judd Gregg, a New Hampshire Republican. "There are 100 elected senators and one parliamentarian, and the parliamentarian can determine what the 100 can do."

Among the policies that could be bounced by the Byrd rule are a number of changes to how the insurance market operates. Mr. Dove expressed skepticism that the budget shortcuts were well-suited for such efforts.

"When [the budget process] is used to jam things through on a very narrow basis, that's when it runs into problems," he said. Still, "it's so handy for any party that doesn't have 60 votes....so it's a very tempting tool."

Mr. Frumin, 63 years old, didn't respond to requests for comment.

Mr. Dove estimated that in one year—1995—he tossed out about 300 provisions based on the Byrd rule, including a restriction on federally funded abortions.

Senators aren't the only ones with a lot on the line. Parliamentarians, who are supposed to be nonpartisan, can find themselves out of a job if their decisions displease powerful lawmakers, as Mr. Dove did in 2001.

Then-Majority Leader Trent Lott fired Mr. Dove, according to several people familiar with the situation, over a couple of decisions he made.

One restricted the number of tax-cut bills allowed under fast-track budget rules. Another effectively forbade a $5 billion allocation for emergencies such as natural disasters that Mr. Dove criticized as a "slush fund." Mr. Lott, who now runs a lobbying firm, didn't return calls seeking comment.

The parliamentarian's decision-making role on budget questions "makes you lots of enemies," said Mr. Dove, who now teaches at George Washington University and also practices law. "There's no problem with senators knowing exactly who to yell at."

Sometimes the parliamentarian has been removed simply because control of the Senate changed hands. In fact, Messrs. Frumin and Dove have been the only two parliamentarians since 1981, each succeeding the other when he was bounced.

White House officials say they are well aware of Mr. Frumin's influence.

"That was certainly a factor that went into how we put this proposal together," White House communications director Dan Pfeiffer said in a conference call introducing the administration's latest health-care plan.

Congressional Pictorial Directory

Alan Frumin

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WORLD NEWS

Greece's bailout plan takes shape

A plan led by Germany and France to bail out Greece with aid of as much as €30 billion ($40.85 billion) has begun to take shape, Greek and banking officials say, but the timing and terms of any rescue remained unclear.

*By **Carrick Mollenkamp, Costas Paris** and **Alessandra Galloni***

Greek officials hope to seal a deal by Friday, when Greek Prime Minister George Papandreou meets in Berlin with German Chancellor Angela Merkel, but a senior German official insisted that a bailout wasn't imminent. Berlin is studying options should a bailout prove necessary at a later stage, the official said. Greece is keen to move fast in order to remove investor doubts about its solvency.

European politicians have been reluctant to bail out Greece and want Athens to make deeper cuts to its budget than it has so far agreed. Athens is expected to provide further details of its austerity program this week and will likely announce an additional €4 billion of spending cuts and tax increases this Wednesday following a visit by European Union Monetary Affairs Commissioner Olli Rehn on Monday, according to people familiar with the matter. German and French officials say there will be no rescue until Greece meets the fiscal demands they have made.

The rescue under consideration would involve the sale of debt to French and German entities, likely state-owned banks, as well as to bond investors, Greek government and banking officials said. The sale roughly would be split between the states and debt investors.

Reuters

Greek Prime Minister George Papandreou speaks to parliament Friday.

"I have no doubts that Greece will succeed in refinancing itself through ways that we are exploring at the moment," French Finance Minister Christine Lagarde said on French radio Europe 1 on Sunday morning. Ms. Lagarde added that the solutions being considered could include "either private partners, or public partners—or both."

An official close to the French government added: "We are ready to help Greece and to consider all appropriate measures depending on their acceptability to our euro-zone partners, notably Germany because we started this process bilaterally and we are keen to continue in the same way."

Though officials in France and Germany may want time to deliberate, there is an increasing sense that the financial markets want to see a resolution. Debt markets, in particular, have been volatile in recent weeks amid the uncertainty over Greece's course and whether its crisis could spread to other vulnerable countries on the euro zone periphery, such as Spain and Portugal.

The use of state-owned financial institutions might enable the German and French governments to get around regulations that could prohibit governments from owning the debt of other nations, a person familiar with the situation said. In Germany, KfW might be one institution used to buy the Greek debt.

A debt sale potentially could dovetail with efforts by Greece and the European Union to agree on the structure of a Greek effort to cut budget deficits. The two sides, as of Friday, were at odds over whether a plan to cut spending and boost taxes would reduce Greece's budget deficit to a target of at or below 9% of gross domestic product this year.

A senior Greek official said Friday the country is working on an additional level of levies to meet the EU target. But it may not be enough to persuade German officials to back the plan. The strong political obstacles in Germany to provide aid for Greece, including outright opposition from many lawmakers in the ruling coalition, mean aid would be a last resort, government officials say.

A German official said Berlin won't send German taxpayer money south "just as a reward for some new announcements," referring to Greece's expected additional budget cuts.

The debt sale by Greece under consideration would be between €20 billion and €30 billion. That money is needed so that the country can pay off maturing debt this spring.

Greece needs to borrow around €54 billion this year. It so far has raised €13 billion. About €22 billion of bonds mature in March and April.

Greece had been considering a debt sale of between €3 billion and €5 billion with hopes of selling the debt within the next week. Athens is still planning to pursue that sale, a Greek official said. A final decision is expected within several days.

Even if the German and French entities agreed to buy half of a new debt sale totaling €30 billion, that still would leave a massive amount for public bond investors to buy.

In January, Greece sold five-year bonds totaling €8 billion. The value of the bond fell within days. That could hurt prospects of a new and much larger sale.

But the person familiar with the debt sale said the hope is that a high enough yield—and the fact that such a large sale would be seen as enough to truly fix Greece's problems—would attract investors.

—Marcus Walker contributed to this article.

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THE WINTER OLYMPICS: VANCOUVER 2010

Bumper crop for Canada

Country, boosted by late surge, will win the most golds at the games

Associated Press

VANCOUVER, British Columbia—They may not own the podium. But no one's knocking them off the top step.

Thanks to a surge of victories down the Olympic homestretch, including three on Saturday, Canada is assured of winning the most gold medals at the Vancouver Games.

A quick succession of triumphs—by the men's pursuit speedskating team, slalom snowboarder Jasey-Jay Anderson and the men's curling team—gave Canada 13 golds.

With only two events left Sunday, no other country could catch up.

And if the Canadians win their hockey showdown with the U.S. early Monday Asia time, they'll go home with more winter gold than any nation ever.

Not bad for a country that just a week ago was waving the white flag in the medals race.

Sure, the U.S., guaranteed no worse than a silver in men's hockey, will win the overall hardware count with at least 37. But Canada has put on a show in the second half of its home Olympics.

If Canada wins the men's hockey game against the U.S., it will break the record for most gold medals at a Winter Games. The Soviet Union in 1976 and Norway in 2002 each won 13.

Canada already has broken the host-nation mark of 10 golds shared by the U.S. in Salt Lake City in 2002 and Norway in Lillehammer in 1994.

It's also the most gold medals Canada has won at any Olympics winter or summer. Its previous high was 10 at the 1984 Summer Games in Los Angeles, which were boycotted by the Soviet Union and its allies.

The captain of the curling team was elated when told his team had secured the record-tying gold. "We have 13, fantastic," Kevin Martin said. "We need to have more Olympic Games in our country, don't we?"

The surge over the past four days was a remarkable turnaround for Canada, which won no golds at all in the two previous Olympics it hosted—the 1976 Summer Games in Montreal and the 1988 Winter Games in Calgary.

And it's been a huge relief for Canadian Olympic officials, who entered these games predicting that their five-year, $117 million Own The Podium program would enable it to win the most medals overall.

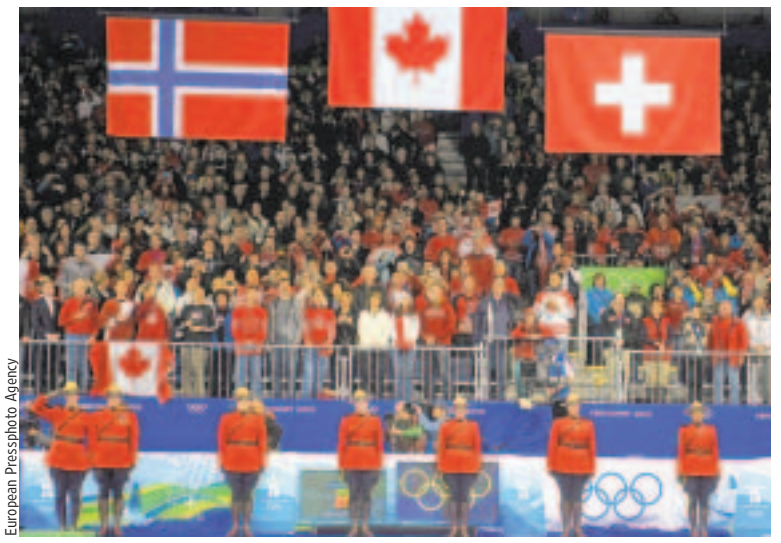
"We thought we had the right plan—we knew these last four or five days were going to be in our wheelhouse," said Chris Rudge, CEO of the Canadian Olympic Committee. "But I don't think in our wildest dreams we thought we'd get this many golds."

The concept of Own The Podium sparked vigorous debate across the country, with some Canadians suggesting it smacked of arrogance to predict a medals victory and many others hailing it as a sign of self-confidence and national pride.

Mr. Rudge called it a "very healthy debate."

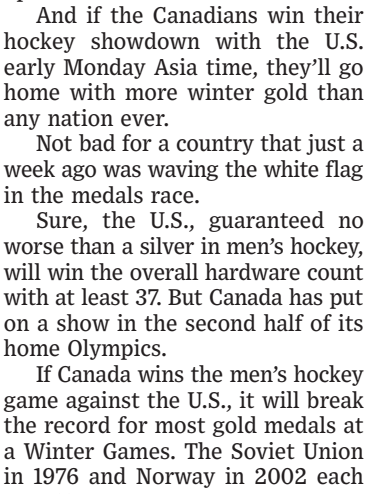
"What it's done is caused Canada to look within itself in a unique way, beyond just sport—a debate about who we are and what we value," he said. "If we continue this kind of debate, it makes us a richer, stronger and healthier country."

Assured of no worse than a silver in men's hockey, Canada will likely finish with 26 medals overall—good for third place and beating its previous mark of 24 in 2006.



European Pressphoto Agency

Mounties stand at attention as Canada receives the gold for men's curling.



Agence France-Presse/Getty Images

Dutch speedskaters in team pursuit.

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MANAGEMENT

LG Display chief forecasts strong year

Market demand for LCD panels is likely to be higher amid signs of global economic recovery, consumer interest

*Kwon Young-soo, chief executive of **LG Display** Co., the world's second-largest liquid-crystal-display maker by revenue after **Samsung Electronics** Co., recently discussed the outlook for the flat-panel industry this year, where the company sees the industry heading in terms of technology and his vision for the company.*

Mr. Kwon, 53 years old, previously served as chief financial officer of consumer electronics maker LG Electronics prior to joining LG Display in January 2007.

Jung-Ah Lee in Seoul recently spoke with Mr. Kwon at the company's headquarters. The following is a translation of the interview.

WSJ: What's the outlook for the global LCD market?

Mr. Kwon: There are a lot of positive signals on the demand side. The global economy is showing signs of a recovery and there's booming interest [for consumer electronics] especially with sporting events such as the Olympics and the upcoming World Cup soccer games.

Market demand for LCD panels will likely be slightly higher than previously expected. Although inventory levels at some TV set makers seem to be slightly higher than normal levels now, overall inventory isn't large after the Lunar New Year holiday.

Factory utilization rates at some LCD makers in Taiwan and in Japan haven't reached 100%, so it seems like it will be a pretty good year for the industry.

WSJ: What was LG Display's business performance like in the first quarter of this year and what's the outlook in terms of prices?

Mr. Kwon: Supply-demand conditions are favorable. Strong demand will likely continue so prices for panels are expected to stay firm [this quarter].

WSJ: Does LG Display have any plans to expand production capacity in light of the strong market?

Mr. Kwon: We are currently reviewing a plan to additionally expand capacity at our eighth-generation production line in Korea. [So-called 8G plants can produce panels bigger than 50 inches for televisions.]

The decision on the plan will be made after we get word from Chinese authorities on whether our investment in China will be approved. An already expanded second eighth-generation line will begin mass production in May.

WSJ: Do you expect LG Display will get the final approval from China to build a manufacturing facility there?

Mr. Kwon: I see no reason why the Chinese government would not choose us since we have good technology. However, there's a chance that only one Korean company [Samsung Electronics or LG Display] could get the go-ahead.

We can delay the expansion plan in Korea if China accepts our plan. [In late February, LG Display submitted a plan to invest $4 billion in a manufacturing plant in China.]

WSJ: Could there possibly be another supply glut this year given you and other LCD makers are looking to expand capacity?

Mr. Kwon: A slight oversupply may be possible, but it won't be huge like it was in the past.

That's partly because there's still a component shortage of glass. Glassmakers are managing their investment plan rather conservatively, which have largely contributed to their strong profitability. They aren't expected to make any massive investments going forward, and in that respect, a glass shortage will likely be sustained this year.

WSJ: What will be LG Display's future cash cow?

LG Display

'Factory utilization rates at some LCD makers in Taiwan and in Japan haven't reached 100%, so it seems like it will be a pretty good year for the industry.'

Mr. Kwon: 3D TVs will be the next revolution. Just like when color TVs were introduced to replace the black-and-white TVs. Consumers who already have a television set may even buy another 3D TV and boost television demand. Electronic-paper-display market will also grow rapidly.

All the paper books and newspapers will disappear someday and will be replaced by electronic books and electronic papers. We expect electronic book reader shipments to be around eight million units this year and that will likely double next year.

WSJ: Apple Inc. uses in-plane switching technology, which enables consumers to enjoy the same picture quality at any viewing angle, for its panels used in the iPad. Are you a supplier?

Mr. Kwon: We may be able to supply the majority of panels for the iPad. Apple may be in talks with other panel vendors as well, but since some of them don't have in-plane switching technology, I doubt that they can meet all of Apple's needs. As time flows, tablet PCs will draw a lot of attraction from users.

[An Apple spokeswoman declined to comment.]

WSJ: When was your most difficult time as chief executive?

Mr. Kwon: It isn't easy investing during a recession. When there was a severe LCD oversupply in 2008, we decided to invest both in eighth-generation and the sixth-generation plants [which can make panels bigger than 30 inches], which was valued at over four trillion won (US$3.44 billion).

Some raised concerns and even requested us to stop or delay the investment at that time, but I thought a crisis was an opportunity to boost our market share. That was a very difficult decision.

WSJ: When was the most rewarding time for you as CEO?

Mr. Kwon: When all those investments started finally paying off. We started seeing our fortunes change for the better in 2009 when we simultaneously started mass production from both our eighth- and the sixth-generation plants on the back of strong demand. We ran our factories at full capacity.

The Power List

The top business leaders in Asia making headlines last week in select global and regional media. Powered by Dow Jones Factiva and edited for relevance and clarity.

AKIO TOYODA

President
Toyota Motor

Mr. Toyoda apologized before U.S. lawmakers for the auto maker's quality lapses, and in a later meeting with U.S. employees said "you and your colleagues across America and around the world were with me."

RICHARD LI

Chairman
PCCW

Police earlier in February searched the Hong Kong tycoon's home and workplace in relation to last year's failed PCCW buyout attempt. He hasn't been accused of wrongdoing.

KAZUO INAMORI

Chairman
Japan Airlines

The airline reported a loss of more than $500 million in its fiscal third quarter, underscoring the challenging turnaround Mr. Inamori faces.

GUO GUANGCHANG

Chairman
Fosun Group

Mr. Guo said he hopes an alliance with buyout firm Carlyle Group will give his firm's deal-making capability international breadth.

KERRY STOKES

Chairman
Seven Network

The Australian billionaire unveiled a plan to merge his Seven media business with his WesTrac heavy equipment business in a plan that drew skepticism from some shareholders.

Photos: European Pressphoto Agency (Toyoda, Stokes), Imaginechina (Li, Guangchang), Bloomberg News (Inamori)

Compiled by Carlos Tejada/ The Wall Street Journal

Delhi's Budget Abracadabra

India's finance minister declared Friday that he would increase public spending—and government borrowing—while simultaneously shrinking the public deficit. Come again?

The Congress Party wants to work economic miracles with no reform.

The Congress Party-led government's record 11.1 trillion ($240 billion) budget looks much like last year's budget. The priorities are the same: to increase economic growth, make it more "inclusive," and improve the delivery of public-sector services. So, too, is the focus of the spending: India's politically powerful rural voters.

What's different is Delhi's view of the external economic climate. Last year, India faced a world trying to come to grips with the 2008 financial meltdown. This year, Finance Minister Pranab Mukherjee predicts a more buoyant external environment and healthy and rising tax receipts back home.

But rather than use this moment proactively to reform in case those rosy assumptions don't materialize, Congress has chosen to spend more money in the name of protecting the "Aam Aadmi," or the common man. Friday's budget is 8.4% larger than last year's, a record increase.

The bulk of the largesse is structural, not cyclical. Unlike other countries which blew their accounts into the red through "stimulus" spending, Prime Minister Manmohan Singh's government did most of the damage before the crisis by implementing radical social programs like the National Rural Employment Guarantee Scheme which guarantees every farmer 100 days of work a year, on the taxpayers' dime. Now, the government has to pay for its promises.

To do that, Mr. Mukherjee promised a spate of one-off privatizations, such as auctioning off 3G telecom licenses. He also raised excise duties on fuel and gasoline, which will directly hit consumers' wallets as energy companies pass on those costs. Then, of course, there's the rise in government borrowing, to a record 4.6 trillion rupees.

Pranab Mukherjee

Congress says these measures will cut the central government's budget deficit to 5.5% of GDP, from 6.9% last year. But that assumes many things: that global growth will be robust; that the government can auction off telecom licenses and other holdings at healthy prices; and that Delhi accurately estimated the cost of its vast social programs.

Even if all these wishes come true, Mr. Mukherjee's budget does little to further liberalize India's economy. At most, it suggests that the central bank is "considering" awarding some more banking licenses to "private-sector players." What India really could use is greater foreign-direct investment in insurance, retail and—most importantly—agriculture, which employs around half of India's work force.

Mr. Mukherjee has made much of the idea that agricultural reform is the key to Congress's dearly held mantra of "inclusive growth." Yet its economic performance is abysmal; agriculture was the few industries to shrink in the third quarter. Reversing that trend will take competition, foreign investment and openness to scientific innovation, like genetically modified seeds. What the budget offers instead are subsidies and rhetoric.

Mr. Mukherjee said Friday the budget was for "the farmer, the agriculturalist, the entrepreneur and the investor." In actuality, it was for the politicians.

The Pride of Russia

One face was missing from yesterday's closing ceremony in Vancouver: that of President Dmitry Medvedev, who announced Friday that he wouldn't show up to claim in person the Olympic flag for Russia, the host of the next winter games in Sochi in 2014. Politics, and a bit of sport, got in the way.

Mr. Medvedev had hoped to combine Sunday's pomp with a gold medal hockey match-up earlier in the day. Then the Russian men's squad, a pre-tournament favorite that features the game's dominant player in Alex Ovechkin, got bounced out of the medal round by Canada.

The defeat was a sour coda to a disappointing Olympic performance for a one-time winter games superpower. As of yesterday, Russia stood sixth among medal winners, with 15 total and only three gold. The speaker of the Duma has demanded an investigation and a senior Kremlin aide called the results "dismal." Mr. Medvedev knew well enough to avoid getting tainted with what's considered a national debacle.

An Olympic lesson for the Kremlin.

Any fan with a healthy dose of sports patriotism can relate to the Russian pique. No one likes to lose. The Russians have been brought low by cronyism inside the Olympic committee and an inability to adapt to recent changes in winter sports. Come to think of it, those same handicaps bedevil Russia's economy and its authoritarian politics under the supreme leader, Vladimir Putin.

Though he criticized the judges who gave an American the men's figure skating gold last month, Mr. Putin on Friday waxed philosophic, saying, "Of course we expected more . . . but it's not a reason to lose heart, scatter our heads with ashes and beat ourselves to exhaustion with chains." Yet a lot of this ash-scattering reflects a Soviet legacy that Mr. Putin has done so much to preserve in sports and in other arenas of Russian life. A fragile national pride is now, as then, tied up in beating other countries in sports, or in the nuclear arms race. That's why losing stings more than in other places.

This thought runs against centuries of Russian tradition, but why not try to measure Russia's greatness by its ability to build a free and prosperous country, a good global citizen at peace with its neighbors? This kind of Russia might also fare better at the Olympics. The four leading medals winners in Vancouver are free-market democracies.

'The Singapore Way'

Singapore's government took unprecedented actions to shield its economy from the 2008 financial crisis, even tapping its foreign-exchange reserves for the first time in its history. Yet GDP still fell 10% from peak to trough. The experience unfortunately seems to have reinforced policy makers' conviction that government needs to play a bigger role in the economy.

That's the message from the budget announced by Finance Minister Tharman Shanmugaratnam last week. The government aims to double the city-state's productivity growth rate over the next decade; support the creation of more globally competitive companies; and ensure the economic growth trickles down to the needy.

These are worthy goals. Mr. Tharman himself acknowledges that free-market principles are the best way to boost productivity: "The government cannot decide which enterprises should succeed or phase out, or say exactly what the corporate landscape should look like 10 years from now. We must rely on the market to achieve this restructuring," he said in his budget speech.

But that philosophy isn't borne out by the details, starting with the approach to boosting productivity. The government will create a new entity called the National Productivity and Continuing Education Council to drive the effort. The Council will be headed by Deputy Prime Minister Teo Chee Hean and include "members from the government, business community and labor movement." It is as yet unclear how its members will be chosen. Mr. Teo may release more details when he addresses Parliament this week.

The city-state redoubles its efforts for state-directed growth.

One thing is for sure: There will be a lot of taxpayer money involved. The Council will oversee a S$2 billion ($1.4 billion) National Productivity Fund that will "initially" invest in "sectors where there is a potential for large gains in productivity," and the budget cites construction as an example. But the fund could "also be used to develop centers of expertise for a range of industries," leaving the door open for more public monies down the road. There are no details yet on which companies will qualify for funds; how productivity gains will be measured; or how the Fund's managers will be held accountable for their performance.

On the promise to create globally competitive companies, here, too, the government will have a heavier hand. To its credit, the budget includes some new tax cuts for private research and development. But it also proposes to add another S$1.5 billion to the National Research Fund for public-sector R&D, and to make the government a "co-investor," alongside private money, in new growth "funds" worth up to S$1.5billion over a decade. Other Singapore government-run funds—Temasek and the Government of Singapore Investment Corporation—have historically provided only limited financial disclosure to taxpayers, so perhaps these funds could set a new, and better, standard. The budget also moots the creation of an import-export bank, though it's unclear why Singaporean companies would have trouble accessing ready capital in one of Asia's biggest financial centers.

Lastly, the budget describes some S$1.8 billion in transfer payments and contains a new, small levy on foreign workers. Both are populist moves aimed at appealing to voters who will go to polls for general elections within the next two years. Next year's deficit is expected to be around S$3.0 billion, or 1.1% of GDP, compared to a deficit of S$8.5 billion last year. Given the bleeding balance sheets of nations like the United States or Britain, this looks manageable.

Mr. Tharman said the government and the private sector tackled the recent economic crisis "together, the Singapore way." If he wants to achieve the kind of laudable goals he outlined, perhaps it's time to rethink that public-private mix.

Comments? The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

OPINION

Ford's Renaissance Man

[Journal Interview with Alan Mulally]

By Paul Ingrassia

Dearborn, Mich.

It's a typical February scene in suburban Detroit. Snow is falling for the third straight day, and the accumulation is visible from the panoramic view of Ford Motor Co.'s executive suite. Consumer-confidence numbers—the best predictor of car sales—are plunging. In Washington, Toyota officials are getting a congressional grilling that might offer Ford a temporary boost, but also threatens new burdensome government regulations for all auto makers.

Yet Alan Mulally, Ford's president and chief executive officer, is exuding ebullience over, of all things, PowerPoint slides.

"How cool is that?" asks Mr. Mulally, pointing to slides showing rows and rows of numbers. "And look right here, see, take a look at this one," he exhorts, clearly relishing a slide of color-coded charts depicting the status of key projects that looks like a scrambled Monopoly board. Another slide shows overlapping ovals that depict the configuration of corporate alliances in the global car business. (It looks sort of like tadpole eggs.)

Mr. Mulally and his team of 16

The CEO's obsession with Power Point slides seems odd. But with Toyota under fire and Ford on the verge of overtaking GM in sales, it's nothing to laugh at.

top executives review 300 such slides in each weekly BPR, or Business Planning Review, which lasts just over two hours. No one is allowed to whisper private comments to the person sitting next to him or her; Mr. Mulally insists that everyone pays close attention to each person's presentation. "If you aren't comfortable with that you might be more comfortable leaving the company," Mr. Mulally says, with a friendly but pointed tone.

To a visitor, these slide shows sound mind-numbing. But the CEO is excited about them for good reason.

When Mr. Mulally, an engineer by training, arrived from Boeing three-and-a-half years ago Ford seemed on death's door. It suffered a $12.6 billion loss in 2006, when industry-wide car sales were strong. But last year Ford became the only U.S. car company to avoid bankruptcy, and actually posted a $2.7 billion profit. After plunging below $2 a share a year ago the company's stock has surged sixfold: It's now bumping $12.

Ford also has begun regaining market share after years of decline. It's even possible that when auto makers report their February U.S. sales this coming week, Ford might top General Motors for the first time in more than 80 years (except when GM workers were on strike).

"I've seen some data saying that it might be so," says Mr. Mulally. "But we won't know until we know."

Ford's recent success is already amazing considering the prior half-dozen years of near-fatal decline. If it continues, Mr. Mulally will be credited with one of the great turnarounds in corporate history. His method has been to simplify, relentlessly and systematically, a business that had grown way too complicated and costly to be managed effectively.

"Improve Focus, Simplify Operations," reads one of Mr. Mulally's many charts, which he repeats like a sacred mantra. Soon after his arrival Ford began shedding brands—Jaguar, Land Rover and Aston Martin among them—that the company couldn't afford to support. Volvo will be next to go. Meanwhile, the core Ford brand got an investment infusion to replace aging cars and revive a model lineup that had been heavily tilted toward gas-guzzling trucks.

In the process, Ford cut its number of global platforms, or chassis, to eight from more than 20, and the number of nameplates to 25 from 97. Each platform and model involves hundreds of millions of dollars of engineering costs, which translated to billions of losses because Ford couldn't sell enough of each model.

Besides revamping the product line Mr. Mulally has overhauled the often-contentious culture in Ford's executive suite. Most of his appointees are company veterans, but they're the sort of people who typically got overlooked when style seemed to count more than substance, as it often did at Ford.

Product-development chief Derrick Kuzak, for example, got none of the charisma gene that was bestowed upon the flamboyant Bob Lutz, who held the same job at GM for most of the past decade. But Mr. Kuzak is methodically implementing the "One Ford" strategy of developing cars in a single region (say Europe, or North America) and selling them globally, instead of developing slightly different cars in each region at enormous extra cost.

The first fruit of his efforts, the subcompact Fiesta, was engineered in Europe and will hit American shores this summer. Next year will bring a new version of a slightly larger car, the compact Focus, also engineered in Europe and designed as a global car from the start.

"It's back to Henry Ford's original vision, isn't that cool?" gushes Mr. Mulally, reaching for—you guessed it—yet another chart. "It's all about producing products people want," he adds. "Our goal is PGA."

That has nothing to do with golf, he quickly explains, but means "Profitable Growth for All."

Mr. Mulally's alphabet-soup acronyms and PowerPoint slides seem to resonate around his far-flung empire: Internal surveys show 87% of Ford employees believe the company is on the right track. President Barack Obama would love numbers like that.

Ford also has gotten big boosts from the missteps of its major rivals. GM, in contrast to Ford, insisted on keeping all of its eight brands until the government forced it to shed four of them last year in bankruptcy.

Right now Ford is getting an unexpected assist from Toyota. The Japanese company's legendary quality has been slipping below Ford's for the past few years, according to Consumer Reports magazine. And this was before the

Terry Shoffner

furor over sudden, unintended acceleration erupted last month.

Mr. Mulally has passed the word that Ford employees shouldn't gloat about Toyota's woes—though after decades of being trounced by Toyota many Ford people are having trouble following that directive. Mr. Mulally's assessment: "We're all disappointed to hear more and more about the way this has been handled" by Toyota. "I'm not judging here, but I am saying it hasn't been efficiently or effectively handled. Hopefully they will learn from this."

* * *

When the Toyota controversy broke, Mr. Mulally says his company re-examined the accelerator pedals on all of its vehicles worldwide. Company engineers found that a Ford commercial van made in China had pedal-linkage design that seemed similar to Toyota's, and stopped production of the van for a few days until tests showed that the Ford pedals were safe.

"That was a proof point for our corporate culture," he says. "Proof point"—another favorite Mulallyism.

"It's too early to tell" whether the Toyota crisis will produce new regulatory requirements for all car companies, Mr. Mulally adds, though he clearly hopes it won't. "We institute 70% of our recalls ourselves," he explains. "It's a very good process."

Despite Toyota's troubles, Mr. Mulally still lists the company at the top of the competitors he respects (and perhaps fears) the most, along with Volkswagen, Honda and Korea's Hyundai. "I have tremendous respect for those four or five," he says, before quickly catching himself and adding: "And GM, of course." It seems like an afterthought, and Chrysler doesn't even get a mention.

Asked to comment specifically on both crosstown rivals, Mr. Mulally refuses to take the bait. "I love the Ford plan," he says. "I *looooove* the Ford plan."

Still, for all its post-bankruptcy struggles, GM does lead Ford in some key areas, including luxury cars, where Cadillac outsells Lincoln by more than 30%. While Cadillac has found a styling theme (crisp, sharp edges), Lincoln is struggling. The front end of the Lincoln MKT sport-utility vehicle, for instance, looks like the prow of an ancient Athenian warship.

"Where we take Lincoln longer term is a legitimate question," Mr. Mulally says. He notes that Ford has expanded the Lincoln lineup, which was down to just a couple models a few years ago, but acknowledges there's much more to be done. "What's next? We'll have more to say on that over the next year or so."

General Motors also has a stronger presence than Ford in Asia, though Ford has now targeted the region for growth, and GM has only about half of Ford's debt, thanks to last year's government bailout and bankruptcy. And Ford's major Japanese competitors are virtually debt-free.

But Ford, despite paying down some $10 billion of debt last year, still has junk-bond ratings thanks to a massive "home improvement loan" the company took out to finance its turnaround shortly after Mr. Mulally arrived. Ford faces upwards of $1.5 billion in interest payments this year—money that otherwise could go to reviving Lincoln or building new factories.

"We're disadvantaged a little bit," Mr. Mulally acknowledges, adding that the company is beginning to repair its balance sheet, and that it has enough cash to fund its product plans. "Would I trade that problem to have gone through bankruptcy [to reduce the company's debt]? No way. All of our stakeholders have benefited because we didn't go through bankruptcy." He's undoubtedly right. Ford's image and its sales have gotten a boost from staying out of Chapter 11, in contrast to GM and Chrysler.

Another problem area is labor. Last fall Ford workers overwhelmingly rejected contract amendments that included a no-strike pledge until 2015 and further reductions in inefficient work rules—even though the senior leaders of the United Auto Workers union strongly endorsed the changes.

Mr. Mulally professes to be unfazed. By overhauling health-care benefits to UAW members and retirees and getting lower-tier wages for new union hires, he explains, Ford has slashed its wages and benefits for hourly workers to $50 an hour from $75. He adds that Ford already has made significant progress in eliminating featherbedding work rules.

The "proof point," Mr. Mulally says, is that Ford is starting to produce small cars instead of SUVs and pickup trucks in some of its U.S. factories—because the company can make small cars profitably in America for the first time in many years. Labor "isn't a competitive disadvantage for us," Mr. Mulally maintains. "Everything that we've put in place has served us well." Still, the recent rejection of the contract amendments serves as a warning that worker attitudes might harden as the auto industry's crisis passes.

* * *

On Aug. 4, Mr. Mulally turns 65, the typical retirement age for executives in Detroit. Ford has no formal retirement policy for its top people, but Chairman Bill Ford Jr., a scion of the founding family, has said in jest that he hopes Mr. Mulally will remain CEO for a couple more decades. That obviously won't happen, but Mr. Mulally says "I have no plans to leave," though he won't say how long he plans to stay at Ford.

He relaxes by playing tennis and golf (he's very competitive in both), spending time with Nicki, his wife of 40 years, and their five children, and by reading. No Renaissance man, despite the renaissance he's leading at Ford, Mr. Mulally favors business books instead of history or fiction. He recently finished "Mojo: How to Get It, How to Keep It, How to Get It Back if You Lose It," by Marshall Goldsmith.

But mostly Mr. Mulally seems to like working, and given Ford's recent results, it's easy to understand why. "I love hanging out with skilled and motivated people," he says. "There is no reason that America can't compete in a global economy, and I love being one small proof point in that."

Mr. Ingrassia, a Pulitzer Prize-winning former Detroit bureau chief for this newspaper, is the author, most recently, of "Crash Course: the American Automobile Industry's Road from Glory to Disaster," published by Random House last month.

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OPINION

A Greek Tragedy With Lessons for America

By David Malpass

Like many state governments in the U.S., the Greek government has been spending and promising more than its tax receipts can finance, requiring it to place ever more debt with its lenders each month. This thrusts the country into a showdown with markets and lenders—and puts it at the focal point of the growing debt crisis rippling through U.S. states and municipalities.

On both sides of the Atlantic, government spending and unfunded retirement commitments

Nothing short of an antispending upheaval will solve the debt crises in Europe and the United States.

continue to hit record highs. This discourages the new private-sector investment needed to create growth and all the good things that go with it: jobs, profits, house purchases and government tax receipts. The fundamental issue is whether government financial crises—in Greece, California, New York or elsewhere—will cause government spending reforms. If not, then growth, the dollar and the euro are in further peril as markets force bailouts and waves of defaults.

An actual Greek debt default would shock big creditors like the German banks and threaten spillover market declines in other heavy debtors, slowing their growth. But for the international financial system, the even bigger risk is that Greece exits the euro. Beyond the economic devastation this would bring to Greece's people—whose net worth would convert from euros to weakening drachmas, one of the world's worst 20th century currencies—many other countries would find their markets and currencies facing heavy selling pressure, a repeat of the 1997 contagion during the Asian devaluation crises. The weaker countries within the eurozone would see investment flows dry up waiting to see the extent of the contagion.

The more likely Greek outcome is not default, devaluation or euro-supportive government restraint, but traditional growth-killing tax measures followed by subsidies, loan guarantees and bailouts by the International Monetary Fund and European Union. Since the support they provide is government-to-government, not market-based, it will probably be conditioned on tax-hike austerity imposed on Greece's private sector. This doesn't address the core problem of growth, jobs and government spending restraint. The higher value-added tax already under discussion is decidedly not the upheaval in government spending, tax and regulatory policies also needed in Washington and many U.S. states.

The resolution of the Greek government's debt overhang has been seen as a critical factor in the euro's stability, though the European Central Bank's (ECB) resolve to maintain sound money is probably more important. Central banks control the supply of money and influence the demand for it, determining their currency's value. This is especially true for the ECB, which has a single mandate—price stability—unrelated to fiscal problems. The market's worry is that an ultimate bailout of Greece—or Spain, Italy or Portugal down the line—will weaken or change this

European Pressphoto Agency

Protesters in Athens last week.

mandate, forcing the ECB to create more euros than the market wants.

In contrast with many of the disastrous financial innovations of recent decades—excess bank leverage based on pro-cyclical capital adequacy ratios, securitizations based on faulty AAA bond ratings, opaque credit default swaps and the like—the sound-money commitment underpinning the euro worked well. The eurozone's expansion lifted living standards and employment, allowed European businesses to spend less time on cross-border currency volatility, drew eastern Europe away from Russia, and created an important alternative to the dollar as it was debased in the 2000s.

The Federal Reserve provides the cautionary example. It has fixed short-term interest rates on the dollar at dangerously low levels—in 2003 at 1% and in 2010 near-zero. This allows heavily indebted governments and banks to borrow cheaply at the expense of savers, the dollar and long-term price stability. It also creates harmful distortions in capital flows away from smaller businesses and more productive areas of the economy.

Euro-skeptics worry that the ECB will head down the Fed path. Fortunately, Germany's taxpayer uproar over a Greek bailout and its post-Depression history of unwavering support for sound money—a sharp contrast with the Bush-Obama indifference to the dollar—argue that it won't copy the Fed's currency neglect.

A second worry challenging confidence in the euro is the 1990s view that the whole euro concept is inherently flawed, with Greece just the messenger of core governance problems. When the euro was created, advocates of a more centralized European political and financial union argued that the new currency couldn't work unless the nations using the euro agreed on cross-border fiscal union. This implied bigger government with centralized taxing, spending and borrowing authorities.

The alternative view is that a stable currency has a tremendous value independent of other economic policies and can be maintained by a resolute central bank in spite of a fiscal mess. It shouldn't require a powerful central government or high tax rates to provide sound money. The U.S. founding fathers debated federalist issues extensively, creating a Constitution, explicit limits on the powers of the federal government, and a legally united base for the dollar. Those debates are still wide open in Europe, with Greece and its fiscally weak neighbors in southern Europe forcing a key test and at least temporary weakness in the euro.

Since stable money is so valuable in terms of jobs and capital flows, and has been hard for spendthrift governments to achieve, this euro conflict—over the ECB's ability to reinforce the soundness of the euro and restart its spread into non-euro countries—is probably the most important outcome of the Greek crisis. A positive development would be substantial new restraint on Greece's government spending. This would begin the necessary reduction in its debt-to-GDP ratio, currently well over 100%. Since markets look forward and react quickly, a pro-growth direction would invite new investment and jobs in Greece's private sector, not the deeper recession Keynesians fear from slower government spending.

Central governments are moving even deeper into the guarantee/bailout business. This creates short-term stabilization, but at immense cost to long-term growth and currency stability.

The better outcome from 2010's rolling debt crises would be for the taxpayers who will foot the subsidies and loans to insist on spending restraint. Indeed, what's needed is an antispending upheaval within heavily indebted governments.

Mr. Malpass is president of Encima Global LLC.

Pakistan's Proxy War on India

By Bahukutumi Raman

There's a new front in the Pakistan-based jihad being waged against India: Afghanistan. Friday saw the third major Taliban bomb attack against an Indian target in Kabul within the last two years. These attacks are not only testing Delhi's commitment to its presence in Afghanistan, but also the resolve of the United States to support India's interests.

Hamid Karzai

India has emerged as an important source of development aid for Afghanistan. It has invested about $1.2 billion in projects to improve roads, communications and medical facilities. Delhi also provides scholarships to Afghan students, assists widows and orphans, and advises the government on improving governance.

India's efforts have an ideological dimension: to strengthen the secular and democratic sectors of Afghan society and to counter the fundamentalist trends spread by the Taliban. They also have a political dimension: to reassert India's pre-1992 role as a traditional ally of Afghanistan. (The Afghan Mujahideen-led government ended this relationship in 1992 with the help of the Pakistani military-intelligence establishment.) Afghanistan's current leader, Hamid Karzai, studied in India as a young man and has embraced Delhi's more activist role.

Both the Taliban and Pakistan oppose this warming relationship. The former sees the revived Indian role as detrimental to its attempts to run the country according to Islamic law. The latter wants to regain its political and military influence in Afghanistan should NATO forces eventually withdraw. Pakistan also blames the Indian presence in Afghanistan—without any evidence—for its increasing internal security problems in the southwestern state of Baluchistan. (These allegations are denied by New Delhi.)

Thus the Taliban and Islamabad have a shared interest in making India bleed in Afghanistan. Friday's attack on two Kabul guest houses and a hotel killed at least 17 people, six of them Indians. The evidence available so far points to

Friday's bomb attacks set out to destroy the friendship between Delhi and Kabul.

the involvement of the Taliban's Jalaluddin Haqqani faction, based in North Waziristan, and the Al Qaeda-linked Lashkar-i-Taiba, based in Muridke. Both groups are closely linked to Pakistan's Inter-Services Intelligence agency. A Taliban spokesmen said the attacks were directed at foreigners.

Pakistan's possible involvement creates a dilemma for India. Friday's attack underlines the vulnerability of Indian nationals working in Afghanistan, despite the induction of Indian security guards and the strengthening of physical security led by Afghan authorities. It is unlikely Delhi will scale back its development programs, especially since the intensified U.S.-led offensive now underway may weaken Taliban insurgents and reduce the Indian vulnerability.

The Obama administration faces an even trickier balancing act. The U.S. has invested blood and treasure in Afghanistan, and has a stake in seeing the war succeed. India's development program is a crucial part of this effort. At the same time, Washington's dependence on Pakistan for its war against the Taliban and al Qaeda makes it amenable to Pakistani pressure. For a start, Islamabad would like Delhi to reduce its diplomatic and consular presence in Afghanistan, which it sees as a direct threat to Pakistan's interests. So far the U.S. hasn't succumbed to this pressure to curb India's program or presence in the country.

Nor should it. India and the U.S. have a common interest in working together to build a sustainable democracy in Afghanistan. The ideological battle of ideas is just as important as the military battles waged on the ground, and in this respect India brings much experience to bear. American and Indian policy makers can't allow Friday's bombing to derail their partnership.

Mr. Raman served in India's external intelligence agency from 1968 to 1994 and on the government of India's National Security Advisory Board from 2000 to 2002. He is currently director of the Institute for Topical Studies in Chennai.

Pepper . . . and Salt

THE WALL STREET JOURNAL

"What are we going to do now that cynicism is dying out?"

IN DEPTH

Bias toward oversimplification marked climate-change panel

IPCC will appoint independent committee to help its procedures adhere to rigorous scientific practices amid crisis

By Jeffrey Ball
And Keith Johnson

The world's leading authority on global warming is trying to tackle a new problem: restoring its own bruised reputation.

The Intergovernmental Panel on Climate Change said Saturday it is appointing an independent committee to investigate whether it needs to change its procedures to ensure it adheres to rigorous scientific practices.

The move follows a months-long crisis that has upended the world's perception of global warming, after hacked emails and other disclosures revealed deep divisions among scientists working with the United Nation-sponsored group. That has raised questions about the panel's objectivity in assessing one of today's most hotly debated scientific fields.

The problem stems from the IPCC's thorny mission: Take sophisticated and sometimes inconclusive science, and boil it down to usable advice for lawmakers. To meet that goal, scientists working with the IPCC say they sometimes faced institutional bias toward oversimplification, a Wall Street Journal examination shows.

Richard Alley, a geoscientist who helped write the IPCC's latest report, issued in 2007, described a trip that summer to Greenland's ice sheet with senators who urged him to be as specific as possible about the potential for sea-level rise. The point many of them made, he said: Give more explicit advice—because, if the sea rises, "the levee has to be built some height."

The tension within the IPCC stretches back a decade or more, according to interviews with scientists and a review of hundreds of IPCC documents and emails. It has complicated the panel's work on matters ranging from the study of tree rings to the proper use of massively complex climate computer models.

The IPCC has faced withering criticism. Emails hacked from a U.K. climate lab and posted online late last year appear to show scientists trying to squelch researchers who disagreed with their conclusion that humans are largely responsible for climate change. And in January, the IPCC admitted its celebrated 2007 report contained an error: a false claim that Himalayan glaciers could melt by 2035. The IPCC report got the date from a World Wildlife Fund report.

European Pressphoto Agency

Rajendra Pachauri, IPCC's chairman.

Even some who agree with the IPCC conclusion that humans are significantly contributing to climate change say the IPCC has morphed from a scientific analyst to a political actor. "It's very much an advocacy organization that's couched in the role of advice," says Roger Pielke, a University of Colorado political scientist. He says many IPCC participants want "to compel action" instead of "just summarizing science."

To restore its credibility, the IPCC will appoint a committee of independent experts to determine ways to better enforce the organization's existing procedures and to recommend any additional procedures the committee thinks are necessary. In Saturday's statement, IPCC Chairman Rajendra Pachauri said that leaders of the United Nations-sponsored organization "stand firmly behind the rigour and robustness" of the IPCC's 2007 report. "But we recognize the criticism that has been leveled at us, and the need to respond," Mr. Pachauri said in the statement, adding that the details of how the committee will conduct its review are "under active consideration."

In recent interviews, Mr. Pachauri and other top IPCC officials said the organization's planned reforms will focus on enforcing rules already on the books. Scientific claims must be checked with several experts before being published. IPCC reports must reflect disagreements when consensus can't be reached. And people who write reports must refrain from advocating specific environmental actions—a political line the IPCC isn't supposed to cross.

Mr. Pachauri describes the IPCC's record as "impeccable." Still, he said, the IPCC's reforms will aim to "ensure that even the slightest possibility of someone not adhering to procedures is eliminated completely. We just have to act like monitors at every stage."

The IPCC shared a Nobel Peace Prize with former Vice President Al Gore in 2007 for its report that year declaring climate change "unequivocal" and "very likely" caused by emissions of greenhouse gases due to human activity. Formed in 1988, the group doesn't conduct or fund research, but filters the work of researchers world-wide.

About 30 paid staffers help thousands of scientists who volunteer to assemble voluminous "assessment reports" every five or six years. The goal is to be "policy-relevant" but "never policy-prescriptive," the IPCC says.

The IPCC's budget, about $7 million this year, comes mainly from contributions from the U.S. and other industrialized nations.

Critics also allege a conflict of interest by Mr. Pachauri, the IPCC's chairman, who heads an energy-research institute in India and has done consulting work for multinationals.

Taken together, the organization's troubles raise questions about its quality control in summarizing science. But many scientists say the crisis doesn't undermine independent research demonstrating man's influence on the climate.

"There is a very broad and deep consensus that I buy into that we're producing too much CO2 and it's going to cause problems eventually," said John H. Marburger III, former science adviser to President George W. Bush. Many details remain uncertain, he said, but "I think it's unequivocal that there is a human component."

IPCC leaders including Mr. Pachauri say the IPCC is rigorous and transparent. The IPCC in January expressed "regret" for the erroneous Himalayan statement, traced originally to a magazine article. "The organization has an impeccable record of having performed," Mr. Pachauri said, and its work "always includes the quantifications of uncertainties."

Regarding conflict of interest, Mr. Pachauri said, "I don't take a single penny" from the consulting work. Proceeds go to his energy institute and not to him personally, he said.

As climate change gained public attention in recent decades, some IPCC-affiliated scientists privately expressed concerns that conclusions were risked getting oversimplified. Keith Briffa, a climate scientist at East Anglia, expressed this worry in emails to colleagues in 1999, as work intensified on the IPCC's third major report, published in 2001. Mr. Briffa's particular concern: tree rings.

Scientists use tree rings and other proxies to assess temperatures thousands of years ago, before thermometers existed. Wider rings indicate greater growth, generally suggesting warmer temperatures, or higher precipitation, or both. Mr. Briffa pioneered the technique.

"I know there is pressure to present a nice tidy story as regards 'apparent unprecedented warming in a thousand years or more,' " he wrote to other researchers in the email, among those hacked at East Anglia. "In reality the situation is not quite so simple," Mr. Briffa wrote.

He didn't identify the source of the pressure. A university spokesman said Mr. Briffa wouldn't comment.

The problem: Using data from tree rings and other indicators of historical temperatures, researchers in the '90s built charts suggesting temperatures in the late 20th century were the highest in a millennium. The charts were dubbed "hockey sticks" because they showed temperatures relatively flat for centuries, then angling higher recently.

But Mr. Briffa fretted about a potential issue. Thermometers show temperatures have risen since the '60s, but tree-ring data don't move in tandem, and sometimes show the opposite. (Average annual temperatures reached the highest on record in 2005, according to U.S. government data. They fell the next three years, and rose in 2009. All those years remain among the warmest on record.)

In his same 1999 email, Mr. Briffa said tree-ring data overall did show "unusually warm" conditions in recent decades. But, he added, "I believe that the recent warmth was probably matched about 1,000 years ago."

In other words, maybe the chart shouldn't resemble a hockey stick. Maybe there was another spike before the industrial era.

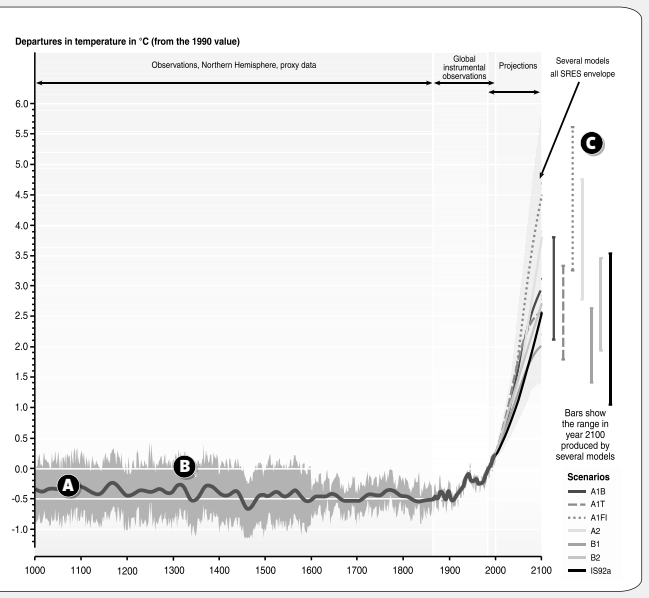
The data were the subject of heated back-and-forth before the IPCC's 2001 re-

Climate clarity?

A chart that suggests current global temperatures are the highest they have been in a millennium was simplified in the summary of a 2001 report by the IPCC. A version of the chart in the full report suggested less certainty.

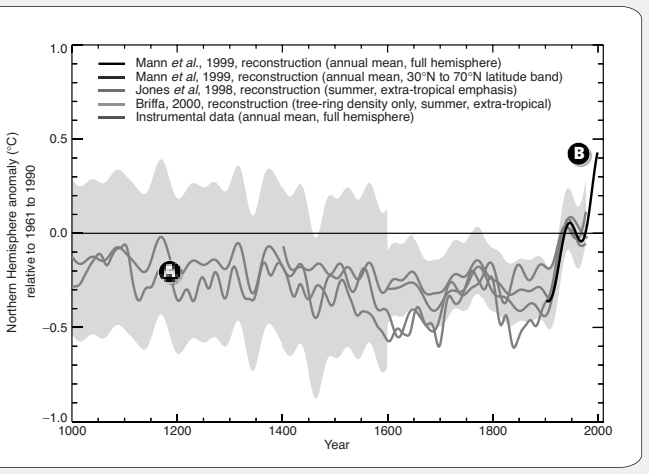
How the chart looked in the summary report

Ⓐ The thick line shows the averaged historical temperature from various reconstructions; Ⓑ the gray area around that line shows the error range; scientists are 95% sure the temperature lies in that area. Ⓒ The lines on the right side show projections of future temperatures based on various scenarios.



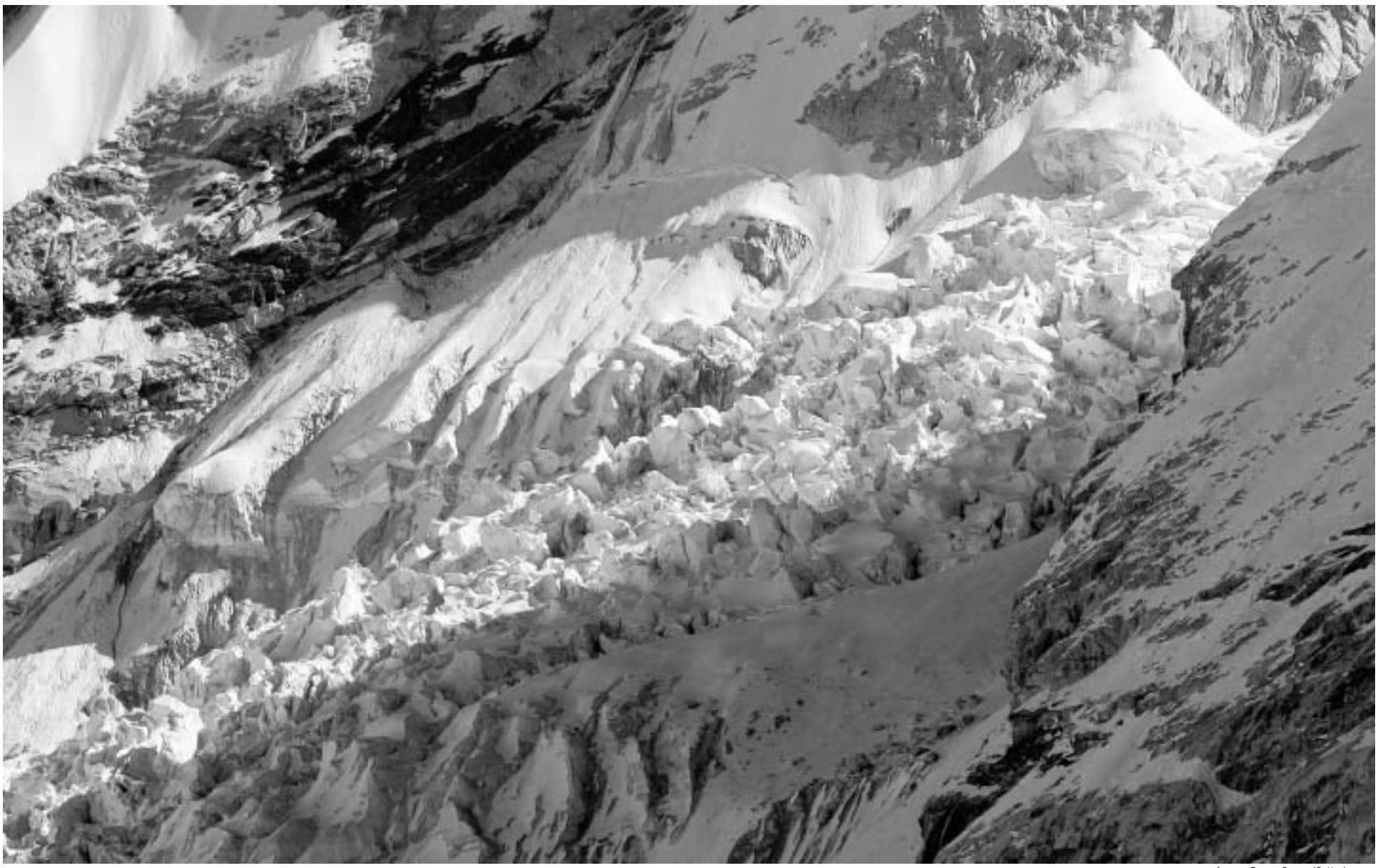
What the data in the full report showed

Ⓐ Each line represents results from a different reconstruction. Ⓑ The black line is based on actual temperature measurements.



Source: Intergovernmental Panel on Climate Change

IN DEPTH

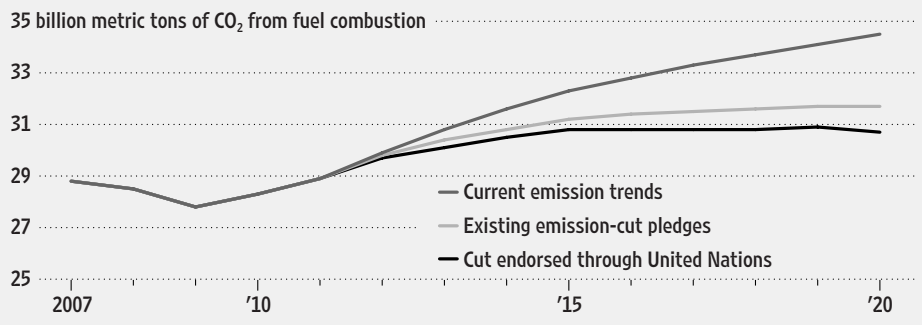


Agence France-Presse/Getty Images

The group expressed 'regret' in January for an erroneous claim in its influential 2007 climate report that Himalayan glaciers could melt by 2035. The Khumbu glacier northeast of Kathmandu.

Greenhouse gap

Policy makers world-wide, using Intergovernmental Panel on Climate Change reports, have called for greenhouse-gas cuts deeper than those pledged by countries.



Source: International Energy Agency

port. John Christy, one of the section's lead authors, said at the time that he tried in vain to make sure the report reflected the uncertainty.

Mr. Christy said in an interview that some of the pressure to play down the uncertainty came from Michael Mann, a fellow lead author of that chapter, a scientist at Pennsylvania State University, and a developer of the original hockey-stick chart.

The "very prominent" use of the hockey-stick chart "overrules what tentativeness some of us actually intended," Mr. Christy wrote to the National Research Council in the U.S. a month after the report was published. Mr. Christy, a climate scientist at the University of Alabama in Huntsville, provided that email.

"I was suspicious of the hockey stick," Mr. Christy said in an interview. Had Mr. Briffa's concerns been more widely known, "The story coming out of the [report] may have been different in tone and confidence."

Mr. Mann said in an email interview, "I was not pushing 'hard' for anything of the sort." The chapter's authors, he said, "engaged in a robust, good faith discussion of what the level of certainty was." Mr. Mann also noted that his original 1998 hockey-stick paper stressed the uncertainties involved in reconstructing past temperatures.

Complicating matters, a simplified version of the hockey-stick chart appeared prominently in the 2001 report's "summary for policy makers"—a 34-page distillation of the full report.

Thomas Stocker, a climate scientist at the University of Bern and member of the team that wrote the summary, said the team wrestled with how to make the summary "faithful to the full report and yet still comprehensible" to policy makers.

The hockey-stick chart is "the textbook example" of "how difficult the job really is" to summarize the full report, said Mr. Stocker, one of the top scientists overseeing the IPCC's next report, due in 2013 and 2014.

In retrospect, he said, the simplified version should have had more detail. It could suggest a clearer conclusion than the actual chart appearing deeper in the full report. "I think that was part of the problem—that we simplified it," he said. "It's not suppressing information, but it's making it harder for the rapid reader to have the full picture."

Another big issue: The accuracy of complex computer models that underpin the science. Run on supercomputers, these models try to predict how greenhouse-gas emissions might affect temperatures, and how temperatures might affect everything from glaciers to hurricanes.

In September 2000, Filippo Giorgi of the International Center for Theoretical Physics in Trieste, Italy, wrote a worried email. He said he felt pressure to cite simulations that hadn't yet been published in a scientific journal. He worried it showed a relaxation of standards.

The IPCC's rules "have been softened to the point that in this way the IPCC is not any more an assessment of published science (which is its proclaimed goal)," he wrote in the email. Mr. Giorgi added: "At this point there are very little rules and almost anything goes. I think this will set a dangerous precedent."

In an interview, Mr. Giorgi said the pressure he felt came from the panel overseeing his part of the report. The panel was co-chaired by Sir John Houghton, a scientist who previously had chaired the IPCC as a whole.

Mr. Houghton defended his panel's oversight. "Nobody was arguing for 'anything goes,'" he said last week. "Nobody was arguing for making choices that selected anything more dramatic or with a particular message," he said. "Everybody wanted to present the results in the most helpful as well as honest way."

Mr. Giorgi said that including the data ultimately did no harm, because the IPCC report included a disclaimer noting it hadn't appeared in a scientific journal. Eventually, he added, the work appeared in a journal.

Some researchers continued to feel pressure to boil down science as work began on the IPCC's fourth major report, published in 2007. Things that are "very difficult to quantify must be quantified to keep the policy makers happy," Mr. Alley, the geoscientist, who teaches at Penn State, said in an interview. "It's a very frustrating thing."

Mr. Alley walked that tightrope in helping write the chapter covering his specialty: the degree to which massive Greenland and antarctic ice sheets might melt, raising sea levels. The problem, he said: "Ice-sheet models are not very good."

Many conversations with policy makers—including Mr. Gore, the senators in Greenland and Christian Gaudin, a French senator—left the clear impression that "we scientists had better get better numbers," said Mr. Alley, adding that he understands their desire for detail.

So the scientists put numbers into the 2007 study, along with a big caveat—what Mr. Alley calls a "punt." The study took into account things like glacier melt in most of the world, but it noted that it excluded what's happening in the Greenland and Antarctic ice sheets, which "we can't predict," Mr. Alley said.

Inevitably, Mr. Alley said, some people have cited the numbers without that caveat.

A spokeswoman for Mr. Gore said he understands the uncertainties, and that he pointed out in statements "that there was essentially an asterisk" on the 2007 report's sea-level projections.

"As he understands the situation from the ice-science community, the uncertainty in sea level applies in both directions," meaning sea-level rise could be greater or smaller than projected, her statement said.

In an interview, Mr. Gaudin, the French senator, recalled having lunch with Mr. Alley on a visit to Penn State where they discussed the interplay between scientists and politicians on the "big questions that interest society," notably climate change. Scientific reports, including the IPCC's, "need to have more precision," Mr. Gaudin said. It is "difficult for politicians to make a decision" otherwise.

Mr. Marburger, the former Bush science adviser, said he frequently heard policy makers express frustration at the lack of certainty in many areas of science, including climate.

"'Why can't we get better numbers?' Everybody asks that," he said. "But science rarely gives you the right answer. Science tells you what the situation is, but it doesn't tell you what to do."

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FROM PAGE ONE

Chile assesses huge earthquake's damage

Continued from first page

ters northeast of the epicenter, automobiles were flung about a severed highway overpass. Closer to the quake, scores of residents were feared trapped in an apartment building that toppled onto its side in the city of Concepcion. Smoke billowed over skylines Saturday.

President Michelle Bachelet declared a "catastrophe" and said at least 80% of Chile's roughly 16 million people had been affected. She called on citizens to use water, electricity and fuel conservatively, as rescue and rebuilding efforts got under way. Chile's main airport and some seaports remained closed.

"It is still not possible to fully quantify the effects of this catastrophe," Mrs. Bachelet said in a speech Saturday. "We are trying by every means possible to bring the country back to normal."

The quake presents a final challenge for Mrs. Bachelet, who is in her last weeks in office, and who guided Chile through the global financial crisis. Conservative Sebastián Piñera is scheduled to take office March 11.

Police in Concepcion fired teargas Sunday as looters grabbed everything from food to cigarettes and appliances from vacant stores. In the city of Chillan, at least 200 inmates broke out of a jail damaged in the quake, local papers said.

While the death toll may rise, human casualties so far appear surprisingly low considering the quake's enormous size. In part, that can be attributed to good fortune: The quake's deep epicenter muffled its impact on a sparsely populated nation. But preparation by quake-conscious Chilean governments also played a role. Chile has enforced strict building codes since the late 1970s to limit earthquake damage.

By contrast, the much smaller quake that rocked Haiti in January has claimed at least 220,000 lives. That quake's epicenter was much shallower and struck near a capital city where many structures were haphazardly built.

Economists sought to gauge damage to the infrastructure of Chile, the world's biggest copper exporter. The temblor twisted roads and bridges, while shutting several copper mines and refineries, at least temporarily.

"Road damage was worse than what I expected," said Sergio Bitar, Chile's public-works minister, at a news conference.

Some operations appeared to be coming back on line. State-run copper concern Codelco said its El Teniente, the world's biggest underground copper mine, was set to restart operations on Sunday.

Observers said Chile was up to the task of rebuilding. With its healthy economy and strong government institutions, the country can respond in ways other countries, like Haiti, couldn't. So far, Chile hasn't requested international aid.

"Chile would be more comparable to Japan or California than Haiti," said Patricio Navia, a Chilean political scientist at New York University.

The deep-water quake sent a surge of tsunami waves pealing across the Pacific, prompting evacuations from Hawaii to Japan. At least four people died and 11 more were missing after waves swamped a remote island village off Chile. But alerts were notched down around the globe as waves were smaller-than-forecast by the time they crossed the ocean.

Southern Chilean municipalities closest to the epicenter were hit hardest. As much as 80% of some towns in the coastal Maule region were destroyed by the shock or consequent waves, officials said.

"Unfortunately, we found whole families buried in the rubble," said Alejandro Boettiger, a firefighter from the southern city of Talca. An exhausted Mr. Boettiger spoke as he carried an elderly woman suffering from shock out of her badly damaged apartment building.

Earthquakes aren't uncommon to Chile, a long, mountainous country nestled between the towering Andes and the Pacific Ocean. A magnitude-9.5 quake, the most powerful ever, hit in 1960. Still, Saturday's quake was the worst in 50 years, and officials cautioned the disaster-shattered country that it will be days before the full impact can assessed and life can begin returning to normal.

—George Seal in Santiago, Sergio Abarca in Talca, and Daisuke Wakabayashi and Takashi Mochizuki in Tokyo contributed to this article.

WSJ.com

See photos and video from Chile and an interactive map showing the earthquake zone at **WSJ.com/World**

Toyota chief aims to contain damage in China

Continued from first page

grew just 21% in 2009 to 700,900 vehicles—because it failed to provide cars that matched consumers' growing appetite for smaller, more fuel-efficient cars. China's government has encouraged the purchase of such cars through incentives and other stimulus measures, a policy the car maker didn't anticipate.

The planned China visit follows a multistop fence-mending tour in the U.S. last week during which Mr. Toyoda appeared before a Congressional committee to answer often-angry questions about Toyota's quality problems. He also apologized to victims of sudden acceleration accidents and to customers concerned about the spate of quality problems.

Sales of Toyota vehicles began picking up toward the end of last year, but the Toyota executive said it was deemed desirable for Mr. Toyoda to personally reach out to consumers here to contain any damage from the quality debacle.

Hitoshi Yokoyama, a Toyota spokesman, said it was tough to gauge the effect of the current problems on sales in China in part because the country's Lunar New Year holiday, during which retail sales tend to slow, fell in February this year but in January last year, making comparisons difficult.

A senior Beijing-based Toyota sales executive said sales have slowed "noticeably" in Beijing and Shanghai, where he said local media outlets reported more aggressively about Toyota's latest quality lapses. Southern China, a major market for Toyota in China, was more immune to the bad news, but Toyota is considering sales incentives or other measures to sustain customer traffic into showrooms, the executive said.

Liu Jiaxiang, a Toyota dealer in Shenzhen, said sales at his stores in southern China have been "steady" since late January. "What keeps me awake at night is a possible long-term erosion of customer confidence in the Toyota brand" because of the recall problem, he said.

Toyota has suffered criticism over a recall before in China. Last April it recalled 259,119 Camry sedans because of brake problems—the company's biggest single recall announcement in China at the time. China Central Television, the state-run broadcaster, in a report on the brake problems featured an interview with a legal adviser from the China Consumers Association who accused Toyota of hiding the problem. Toyota issued the recall three days after that program aired.

Mr. Yokoyama, the Toyota spokesman, said the accusation it hid the problem was "completely groundless" and that the recall wasn't related to the CCTV report.

Agence France-Presse/Getty Images

A cyclist rides past a Toyota car parked along a Beijing street Saturday.

U.K.'s Prudential explores a deal for AIG's Asian unit

Continued from first page

some sort was likely within the next day or two.

It is also conceivable that AIA could draw interest from other global insurers, but there are only a limited number that could pull off the deal, another person said. Right now, Prudential is in exclusive talks to acquire AIA, people familiar with the matter said. Prudential PLC isn't related to U.S. insurer Prudential Financial Inc.

The possible deal was earlier reported by Sky News of the U.K.

According to U.K. takeover rules, Prudential might have to make some comment on the matter by Monday.

A takeover of AIA, considered a crown jewel among AIG's assets, would catapult Prudential into the ranks of the world's largest insurers and make it an Asian powerhouse. Asia would account for three-quarters of the merged company's value of new business, a way of indicating an insurance company's future profits.

Prudential, which dates its roots to 1848, has major businesses in the U.K. and the U.S., but Asia already accounts for just over half of its value of new business, thanks to life and asset-management operations in China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand and Vietnam.

AIA's corporate headquarters are in Hong Kong and it has a large pan-Asian presence, with as many as 20,000 employees and 250,000 agents scattered across more than a dozen countries including China, Singapore, Malaysia, Thailand and Australia.

A deal is far from assured. AIA would be a big bite for a company with a market value of just £15.3 billion ($23.3 billion), and to seal the deal Prudential would likely need to raise cash through a big sale of its own stock.

For the deal to make sense for AIG, the value would have to exceed expectations for an IPO, plans for which have continued to move ahead even amid the talks with Prudential.

Details such as the percentage of AIA shares that would be sold in the IPO have yet to emerge, but a person familiar with the matter said AIG is aiming for a valuation of $30 billion to $40 billion in an IPO, and to get proceeds of about $15 billion.

Choppy equity markets this year could complicate an IPO and smooth the way for an outright sale. Still, unless Prudential bids $30 billion to $35 billion, AIG is likely to pursue the IPO route, this person said.

Roughly a year ago, Prudential and others discussed a deal for AIA with AIG but weren't able to come to an agreement, according to a person familiar with the matter.

AIG, which is nearly 80% owned by U.S. taxpayers after a government rescue at the height of the financial crisis, is under pressure to start paying off chunks of its debt to the U.S. as many other bailed-out companies have already done. The U.S. government has committed as much as $182 billion to support AIG but has recouped only a fraction of the more than $130 billion it has doled out.

Proceeds from a sale of AIA would go toward repaying the Federal Reserve Bank of New York, which in December exchanged $25 billion of its AIG debt for preferred equity in AIA and another foreign life-insurance unit, **American Life Insurance** Co., or Alico. The regional Fed bank is now in line to receive the first $16 billion in proceeds from a sale or IPO of AIA and $9 billion from a sale of Alico.

AIG hopes to repay at least $30 billion of taxpayer funds by the end of the summer, according to two people close to the company.

AIG is separately trying to reach a deal to sell Alico, whose operations are predominantly in Japan and Europe, to MetLife Inc. for $15 billion. The deal has been delayed by an unresolved tax issue and is dependent on a favorable ruling from the IRS. Another plan to sell AIG's Taiwan operations for US$2.15 billion is still pending approval from Taiwan regulators, some of whom have criticized aspects of the deal.

AIG's annual report, released Feb. 26, said it had chosen the Hong Kong Stock Exchange as "the listing venue for any initial public offering of AIA." AIG also said it has been in discussions with "a third party" regarding the potential sale of Alico.

AIG didn't mention talks with a third party over an AIA sale in its annual report Friday but said "the final determination on divestiture strategies for these companies" would be subject to AIG board approval and market conditions. It also said both AIA and Alico have experienced improvements that are expected to continue in light of their "rebranding initiatives" and steps taken to revitalize their agency and distribution networks.

The value of AIA could be determined by the future profits the company is expected to generate from its existing insurance policies and as well as its growth potential. In 2009, AIG's Asian life-insurance and retirement businesses, excluding Alico and two other Japan units, produced revenues of roughly $15 billion and pretax income of $1.9 billion.

—Peter Stein contributed to this article.

As of 4 p.m. ET **Euro** 1.3648 ▲ 0.92% **Yen/US$** ¥88.88 ▼ 0.02% **Yen/A$** ¥79.57 ▲ 1.33% **Oil** 79.66 ▲ 1.91% **Gold** 1118.30 ▲ 0.95% **10-year Treasury** ▲ 13/32 yield 3.595% **3-month Libor** 0.25169

Warren Buffet delivers the good and bad to shareholders

BUSINESS & FINANCE 18

After Greece's crisis, is sterling next in line?

HEARD ON THE STREET 32

BUSINESS & FINANCE.

Monday, March 1, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Tandem moves hint at trouble

By Liam Pleven

Here is one sure sign that some investors are worried about a potential train wreck in the markets: Stocks and commodities are traveling down parallel tracks again.

As of Friday's close, the Dow Jones Industrial Average was down 1% in 2010. The Dow Jones-UBS Commodity Index, which tracks 19 commodities from aluminum to zinc, is down 3.8%. Last week, the benchmarks swung in sync with each other on two different days, as they have a number of times in recent weeks.

ABREAST OF THE MARKET

It isn't supposed to happen like that. For much of the past decade, oil prices often were propelled by concerns of looming oil shortages or rising demand in China. Stocks were far more responsive to corporate profits and irrational exuberance that eventually came back to haunt the market.

As a result, stocks and commodities sometimes went in opposite directions. One of the most dramatic examples: The Dow tumbled 10% in June 2008, while oil was up 10%.

That changed as the worst of the financial crisis hit, which is why some experts now have an uncomfortable feeling of *deja vu*. They say this year's lockstep declines by stocks and commodities are an ominous sign that both markets could be jolted violently by everything from the euro-zone sovereign-debt crisis to sluggish economic recovery.

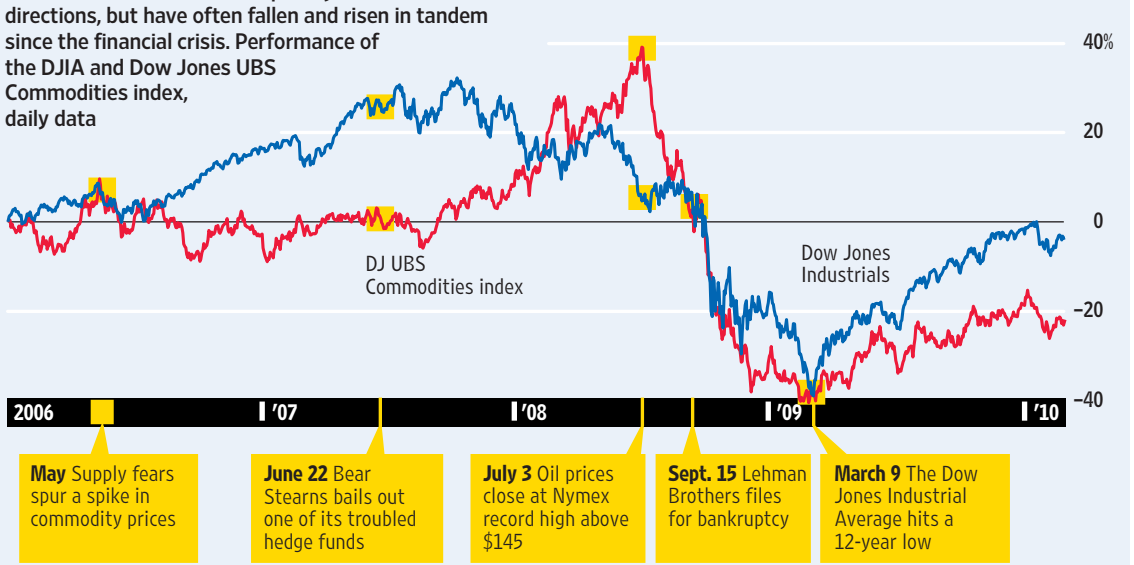
"Lately, we've certainly seen the correlations be very high. There should be some deviation," says Nicholas Johnson, co-manager of Pimco's CommodityRealReturn Fund. The mutual fund has about $16 billion in assets.

Hoping to ride out the bumps,

Please turn to page 25

In and out of step

Stocks and commodities frequently move in different directions, but have often fallen and risen in tandem since the financial crisis. Performance of the DJIA and Dow Jones UBS Commodities index, daily data



Source: WSJ Market Data Group

How Hong Kong controls pain of property gyrations

[The View From Hong Kong]

By Peter Stein

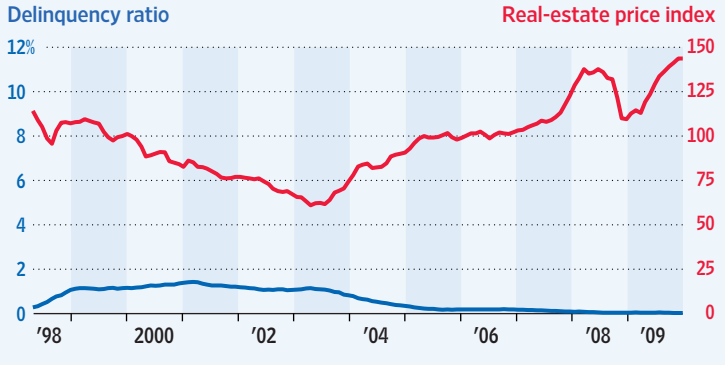
Televisions here broadcast scenes of crowds jostling to buy apartments in vast residential complexes. Developers compete to pay huge sums for newly released plots of land. These recent developments are familiar signals in Hong Kong, this land of bubbles where property prices expand and contract with astonishing speed and frequency.

Yet here is one interesting point about Hong Kong's turbulent property prices: They inflict remarkably little damage on the city's financial system. During the whole period from mid-1997 to 2003, when home prices fell by two-thirds, the available data show that no more than about 1.4% of all mortgage borrowers here fell delinquent on their payments by three months or more. By comparison, U.S. home prices are down about 30% from their mid-2006 peak by some measures, but 5.3% of homeowners are behind 90 days or more on payments and 13.6% are behind at least 30 days or in foreclosure, according to LPS

Please turn to page 25

Steadiness amid volatility

Delinquency rates for Hong Kong mortgage loans have remained remarkably low even through sharp declines in real-estate prices.



Sources: University of Hong Kong (property prices); Hong Kong Monetary Authority

IT IS WHAT YOU KNOW
Our people have the deepest knowledge and understanding of key sectors including resources and energy, infrastructure, real estate and financial institutions, offering clients capital markets, advisory, trading and other services.
40 years of growth
70 international offices
14,000 people
28 countries
$US300 billion under management*
*As at 31 December 2009
FORWARD thinking
MACQUARIE
Corporate advisory
Capital markets
Securities
FICC
Asset and wealth management
Know more
macquarie.com

BUSINESS & FINANCE

Berkshire rides stocks for a rebound

Economically sensitive manufacturing holdings take a big hit; words of hope for housing; a boost from BYD

By Scott Patterson

Hundreds of thousands of fresh **Berkshire Hathaway** Inc. shareholders got an update Saturday on how their investment performed in 2009, and the news was mixed.

While Berkshire's underlying returns rebounded strongly, helped by its vast stock holdings, pockets of weakness in several economically sensitive operating units crimped results.

In its annual shareholder letter, the conglomerate, which sells everything from ice cream to machine tools to house paint, reported that its book value gained 19.8% to $84,487 per share in 2009 from the prior year, based on a metric the company uses to track performance. In dollar terms, book value shot up $21.8 billion last year, a record.

Berkshire posted net income of $8.1 billion in 2009, up from $5 billion a year earlier but down sharply from the $13.2 billion it earned in 2007. Revenue was $112 billion in 2009, from $108 billion in 2008.

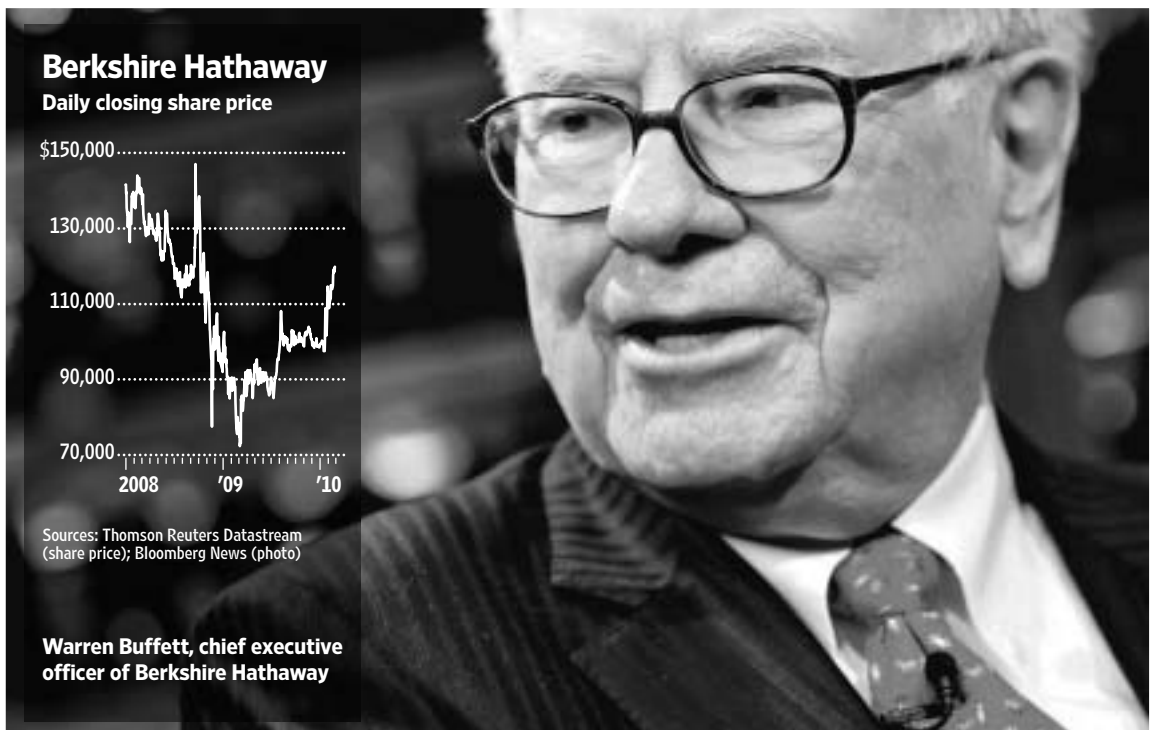
Berkshire in the past month vastly increased its shareholder base after it was included in the Standard & Poor's 500-stock index, held by millions of investors in index and mutual funds that closely track it.

Last year's gain—Berkshire's best since 2003—marks a strong rebound from 2008, when book value per share slid 9.6%, the biggest decline since Warren Buffett, the chairman, took over the company in 1965, when it was a family-run textile manufacturer on the East Coast.

The gain was less than the S&P 500's return of 26.5% in 2009, marking only the seventh time Berkshire has trailed the index under Mr. Buffett. But long-term investors aren't likely to be disappointed. Berkshire outperformed the index over most of the credit crisis. Losses in 2008 were far lower than the broader market's.

"Our defense has been better than our offense, and that's likely to continue," Mr. Buffett wrote.

Berkshire's inclusion in the index against which he measures his own performance came after the company agreed to split its Class B shares as part of its acquisition of Burlington Northern Santa Fe, the railroad giant. According to S&P, about $1 trillion in assets is held by funds that directly track the S&P 500.



In the letter, Mr. Buffett seemed to address his new shareholders directly. In sections titled "How We Measure Ourselves" and "What We Don't Do," he provided guidelines for how to gauge the performance of his firm, how Mr. Buffett and his longtime business partner, Charlie Munger, size up companies and how the various pieces of Berkshire work together at a whole.

"We will never become dependent on the kindness of strangers," Mr. Buffett wrote. "Too-big-to-fail is not a fallback position at Berkshire," a reference to large financial institutions bailed out by the government after suffering billions in losses.

The investor boasted how Berkshire, fueled by its vast cash stockpile and protected by its aversion to excessively risky bets, was able to pump cash into the financial system during the heat of the crisis. Berkshire "was a supplier of liquidity and capital to the system, not a supplicant," he wrote.

Of interest to new and old shareholders alike, Mr. Buffett discussed how he has been transforming Berkshire in recent years into a capital-intensive industrial conglomerate with big holdings in railroads and utilities and less exposure to cash-generating financial operations such as insurance. He said that while he used to shun capital-intensive businesses, his perspective has changed. Berkshire will continue to spit out large amounts of cash, he wrote, and cash-hungry firms like utilities and railroads are among the best outlets for those dollars.

Berkshire is distinct from some other big corporations in that it holds a substantial investment portfolio at the parent level whose success has a high influence on the company's performance.

Last year, a rising stock market helped results. Berkshire's huge stock portfolio, which includes blue-chip companies such as **American Express** Co., **Johnson & Johnson** and **Wal-Mart Stores** Inc., posted a strong gain last year, marking a sharp reversal from 2008 when stocks plunged.

A big boost came from Berkshire's investment in Chinese battery and car maker **BYD** Co. Its $232 million investment in the company in 2008—a deal advocated by Mr. Munger—surged to nearly $2 billion by the end of last year.

The letter was peppered with the usual mix of witticisms, hard-core investment advice and folksy wisdom. Mr. Buffett said he scooped up corporate and municipal bonds in 2009, which he called "ridiculously cheap." But, he wrote, "I should have done far more. Big opportunities come infrequently. When it's raining gold, reach for a bucket, not a thimble."

The company also got a boost from several derivatives contracts it entered into in recent years. The contracts are insurance policies against long-term declines in U.S. and foreign stocks and expire during the next two decades. Berkshire will have to pay money if the indexes are below where they were when it initially entered the contracts.

Broadly, Berkshire posted an after-tax gain in derivative contracts of $486 million in 2009, compared with a loss of $4.6 billion the previous year.

Outside of Berkshire's investment-related gains, the picture was much less positive. While many units in his vast conglomerate were in the black, its holdings in companies that make everything from mobile homes to carpets to machine tools have taken a big hit amid the economic turmoil.

Much of Berkshire's operations remained heavily exposed to the economy, a factor that will only get more pronounced with the purchase Burlington Northern. Berkshire's utilities and energy units gained $1.1 billion in 2009, down from $2.3 billion in 2008, results that included roughly $1 billion in one-time gains related to a failed merger with **Constellation Energy Group** Inc.

Earnings by its manufacturing, service and retailing operations slid to $1.1 billion from $2.3 billion the previous year. The 2009 results took a hit from Berkshire's jet-rental company NetJets, which posted a pretax loss of $711 million.

Its insurance businesses reported a net underwriting gain of $1 billion last year, down from $1.8 billion in 2008, as Berkshire pulled in its horns slightly in insurance amid lower premiums. For 2010, Mr. Buffett said growth in Berkshire's auto insurance giant Geico could slow due to weakening auto sales and high unemployment, which causes some drivers to forego auto insurance.

Berkshire's Class A shares gained just 3% in 2009. But its shares have been on a roll of late, gaining nearly 20% since early November, when Berkshire said it planned to purchase Burlington.

Mr. Buffett didn't comment at length on his view on the broader economy, but he did give one glimmer of hope. He said that "within a year or so residential housing problems should be largely behind us." If he's right, that should provide a boost to a number of Berkshire companies heavily exposed to housing, such as the paint company Benjamin Moore, and Shaw Industries, a carpet maker.

In discussing management of his operations, Mr. Buffett maintained that he and Mr. Munger didn't want to be micromanagers but instead wanted decisions made "at the operating level."

But he also indicated the approach doesn't always succeed. Calling NetJets "the major problem for Berkshire last year," he said "It's clear that I failed you in letting NetJets descend into this condition." He said the unit was on the mend with his appointment of David Sokol, chairman of MidAmerican Energy Holdings Co., to its helm.

He also took responsibility for the "fiasco" of a Geico-issued credit card.

Geico's "managers, it should be emphasized, were never enthusiastic about my idea," he wrote. "They warned me that instead of getting the cream of GEICO's customers we would get the — — — — — well, let's call it the non-cream. I subtly indicated that I was older and wiser. I was just older."

INDEX TO BUSINESSES AND PEOPLE

Businesses

This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

Advanced Research Japan....20
Air China....26
American Express....18
American International Assurance....1
American International Group....1, 25
American Life Insurance....16
Apple....21
Bank of America....20, 24
Barclays....24
Berkshire Hathaway....18, 19
BlackRock....24
BYD....18
Cathay Pacific Airways 26
Citigroup....22
Constellation Energy Group....18
Daihatsu Motor....20
Daiichi Sankyo....21
El Paso....25
Energy Future Holdings 22
ETFS Physical Palladium Shares....25
ETFS Physical Platinum Shares....25
E-TRACS CMCI Long Platinum Total Return....25
Fogel Neale Partners....25
Ford Motor....20
Franklin Templeton Investments....25
General Motors....1
Goldman Sachs Group..22
Hathway Cable & Datacom....22
HSBC Holdings....24
Huatai Securities....22
Hyflux....26
ICICI Bank....26
Japan Airlines....21
Johnson & Johnson....18
J.P. Morgan Chase..20, 24
Kingdom Holding....22
Kohlberg Kravis Roberts....22
Lloyds Banking Group..24
Mazda Motor....26
Merlin....22
MGM Mirage....20
MidAmerican Energy Holdings....19
New Look Group....22
Nissan Motor....20
Pfizer....21
Prudential....1
Ram Partners....19
Ranbaxy Laboratories..21
Royal Bank of Scotland Group....20, 24
Sawai Pharmaceutical..21
Singapore Press Holdings 26
State Bank of India....26
Stillwater Mining....25
Suzuki Motor....20
Tata Motors....20
Temasek Holdings....26
Teva Pharmaceutical Industries....21
Topical Studies....13
Toyota Motor....1, 20, 26
Travelport....22
Volkswagen....1
Wal-Mart Stores....18
WPP....22

People

This index lists the names of businesspeople and government regulators who receive significant mention in Today's Journal.

Ablon, Ralph....19
Armstrong, Michael....22
Atwood, William....24
Baker III, James A....22
Bandholz, Harm....19
Bartlett, Dan....22
Benmosche, Robert H..25
Bernanke, Ben....25
Bloxham, Eleanor....22
Buffett, Warren....18, 19
Byrne, Thomas....4
Canavan, John....27
Chandler, Marc....27
Choksey, Deven....26
Colquhoun, Andrew....6
Crane, David....24
Cuomo, Andrew....24
Curl, Gregory L....24
Dammerman, Dennis....25
D'Arrigo, Dan....20
Dear, Joseph....24
Deutch, John....22
Dickson, Tyler....22
Dowling, Steve....21
Endo, Koji....20
Evans, Donald....22
Feinberg, Kenneth....24
Fink, Laurence....24
Fitzpatrick, Mike....25
Foley, Jane....27
Forster, Carl-Peter....20
Foshee, Douglas L....25
Fox Jr., Thomas B....22
Goodstadt, Leo....25
Greenspan, Alan....25
Halpenny, Derek....27
Huh, Kil....24
Johnson, Nicholas....17
Kant, Ravi....20
Kaplan, Joel....22
Langerman, Peter....25
Lascelles, Eric....27
Lee, Clifford....26
Levine, Adam....22
Lewis, Kenneth D....24
Macht, Patricia....24
Maehara, Seiji....20
Masanao, Tomoya....4
Massey, Walter....24
Matthews, Jeff....19
Medina-Mora, Manuel..22
Mehlman, Ken....22
Miura, Tetsuya....26
Montag, Thomas....24
Moynihan, Brian....24
Mukherjee, Pranab....32
Mulcahy, Anne....22
Munger, Charlie....18
Nadler, Jon....25
Nakamura, Akitoshi....21
Neale, Andrew J....25
Parsons, Richard....22
Perez-Santalla, Miguel..25
Price, Joseph....24
Prior-Wandesforde, Robert....32
Reid-Kay, Simon....25
Rupkey, Chris....27
Ruskin, Alan....27
Ryding, John....19
Schenker, Jason....25
Seifert, Cathy....25
Shattuck III, Mayo....19
Singleton, Lisa....22
Sokol, David....18, 19
Toyoda, Akio....1
Whalen, Christopher....22
Winmill, Thomas....25
Wright, Stephen....26
Yeoh, Kenneth....26
Yokoyama, Hitoshi....16
Zedillo, Ernesto....22

Next oracle of Omaha: Mr. Sokol?

Berkshire Hathaway's move back to its industrial roots puts the executive in line to one day run Buffett's empire

By Scott Patterson

When Warren Buffett released his always anticipated annual shareholder letter Saturday morning, he described a **Berkshire Hathaway** Inc. that looks much more like an industrial conglomerate and less like a financial giant than it has in more than a decade.

The move back to Berkshire's roots came with Mr. Buffett's biggest deal ever, the $26 billion acquisition of Burlington Northern Santa Fe railroad, finalized in February. The change also shines the spotlight more brightly on the man who one day could run this empire, David Sokol.

Mr. Buffett has famously said that he sealed the name of his successor in an envelope in his office in Omaha, Neb.

But Mr. Buffett will likely have two successors, a chief investment officer who will manage the firm's huge investment portfolio and a chief executive who will be in charge of the roughly 80 companies in the Berkshire stable.

Among those who watch Berkshire, there is a growing expectation that the latter executive will be Mr. Sokol, the 53-year-old chairman of Berkshire unit **MidAmerican Energy Holdings** Co., which operates a sprawling utility operation in the Midwest.

Such speculation shot higher after Mr. Buffett appointed Mr. Sokol to take over flagging jet-rental company NetJets Inc.

A hard-charging corporate executive who once recommended books about Attila the Hun to an acquaintance, Mr. Sokol ranks his staff monthly based on who he would fire first. He has vaulted atop Berkshire's corporate ladder and won Mr. Buffett's admiration.

"I don't think there's a record that comes close to that of David at MidAmerican" in the utility industry, said Mr. Buffett in an interview. MidAmerican earned $1.7 billion for Berkshire in 2008, when it owned 88% of the company, up from $109 million in 2000, when Berkshire had a slightly smaller stake in the company.

Running Berkshire, with roughly 250,000 employees, is different from managing MidAmerican, and Mr. Buffett has made the task even more daunting recently. The acquisition of Burlington Northern added 40,000 employees and led to Berkshire's stock joining the Standard & Poor's 500-stock index, meaning the new CEO will be beholden to a disparate group of shareholders, rather than the loyal Buffett followers who owned the shares before.

Bloomberg News

David Sokol, chairman of a Berkshire unit, has vaulted the corporate ladder and won Warren Buffett's admiration.

Already, doubters have emerged who believe Mr. Sokol won't be able to pull off the deals Mr. Buffett has.

"Are you going to want to sell your company to David Sokol?" asked Jeff Matthews, manager of hedge fund **Ram Partners** LP, an investor in Berkshire. "No one is going to brag about that."

Some Berkshire watchers speculate that Mr. Buffett has held back from naming Mr. Sokol his successor because he remains undecided about whether he is the best man for the job.

Mr. Sokol declined to comment, and Mr. Buffett declined to comment about his choice of successor.

Messrs. Buffett and Sokol have some things in common. Both live in Omaha. Both worked as newspaper-delivery boys and as employees of small grocery stores.

And both succeeded early in their careers: Mr. Buffett with a famed private investment partnership, Mr. Sokol as chief of an energy company while still in his 20s.

After graduating from the University of Nebraska at Omaha in 1978 with a degree in civil engineering, Mr. Sokol joined an Omaha architectural-engineering firm and later founded a waste-to-energy company, Ogden Projects Inc., based in New Jersey.

Eventually, Mr. Sokol had a dispute with Ogden's chairman, Ralph Ablon, over the company's investment strategy, according to Mr. Sokol's 2007 self-published book on management style, "Pleased But Not Satisfied." He left the company in 1990.

About a year later, he took a job as president of JWP Inc., a New York company with businesses ranging from electrical contracting to sludge removal. Months after taking the job, he began to unearth accounting improprieties. Mr. Sokol began to raise concerns and received late-night phone calls warning him to stop. He eventually turned over the information at a board meeting in October 1992 and resigned.

He returned to Omaha and took a job as president of a company later named CalEnergy. Several years later, CalEnergy bought MidAmerican as part of an acquisition spree. He also acquired pricey properties, including a 120-acre farm in Northwest Omaha with a riding track, as well as three Clydesdale horses.

Mr. Sokol is a tireless worker, coming into the office at six in the morning and rarely vacationing. In his book, he attributes his hard work to a "driving fear of failure."

Mr. Sokol entered Mr. Buffett's world when MidAmerican's shares tumbled after several geothermal projects in Indonesia were delayed amid the Asian currency crisis.

He became disillusioned with the short-term focus of public companies and began to mull a management-led buyout. Through an intermediary, he broached the idea of doing a deal with Berkshire.

Mr. Sokol and the other MidAmerican managers proved to be tough bargainers. Mr. Buffett offered to purchase a 75% stake in MidAmerican, then trading for about $27 a share, for $35 a share. But the management committee refused. After several weeks, Mr. Buffett finally agreed to raise his bid by five cents a share.

"I said I'll pay $35.05, and you can say you got the last nickel out of me," Mr. Buffett said.

As MidAmerican grew under the Berkshire umbrella, Mr. Sokol stayed in touch with its day-to-day activities. In 2001, he visited its Davenport, Iowa, customer call center, whose employees were battered by complaints as natural-gas prices spiked in a cold winter, and delivered a pep talk, according to an employee there at the time.

He stepped down as CEO of MidAmerican in March 2008, succeeded by his long-time colleague, Greg Abel.

During the financial crisis, when Mr. Buffett profited greatly from investments in struggling companies, Mr. Sokol tried to do the same. In September 2008, the energy firm Constellation Energy Group was facing crippling financial difficulties. Mr. Sokol, after discussing the deal with Messrs. Buffett and Abel, decided to make an offer.

He placed a call to the office of Constellation's CEO, Mayo Shattuck III, according to Mr. Buffett. The secretary who answered explained that Mr. Shattuck was in a board meeting and would be fired if she interrupted the meeting.

"You could be fired if you don't interrupt him," Mr. Sokol said. He told the secretary to go into the room with a piece of paper containing two words: David Sokol.

They struck a deal, but it eventually fell apart when Constellation accepted another, far higher, offer.

Mr. Sokol has also spearheaded a big push into wind energy at MidAmerican, a move he has maintained will prove not only environmentally sound but also profitable.

For now, Mr. Sokol is expected to focus on NetJets, one of Mr. Buffett's poorer performing investments. He has said he thinks the company could return to profitability this year.

Economists dial back their forecasts on U.S. frugality

[Ahead of the Tape]

By Kelly Evans

New frugality? Not so fast.

A sharply higher U.S. household-savings rate was expected to be one of the lasting effects of the Great Recession, given the collapses in real estate and the stock market. But the adjustment has been tame so far.

The personal-savings rate measures the percentage of after-tax household income that is unspent in a given period. It reached 5.4% in last year's second quarter, up from a low of 1.2% during the boom, according to the Commerce Department.

On Monday, the U.S. government is expected to announce that the rate hovered between 4% and 5% in January, roughly in line with recent months.

The household-savings rate likely hovered between 4% and 5% in January, roughly in line with recent months.

The stall has prompted some economists to rethink their original estimates of household-saving behavior. Harm Bandholz, an economist at UniCredit Research, says the stock market's recovery and signs of stability in home prices have kept the rate from rising to the 6% level he anticipated.

John Ryding, chief economist at RDQ Economics, points out that household net worth grew by $5 trillion between the first and third quarters of 2009, the latest data available, after a sharp decline earlier in the recession.

Additional spending generated by the rebound helped keep the savings rate from climbing to 7% or 8%, he says.

Household savings help foster long-term economic vitality, but a swift upward adjustment makes consumer-spending growth much more difficult to achieve in the near term. That is a phenomenon known as the "paradox of thrift."

If the savings rate continues its holding pattern or rises gradually, it would remove one of the headwinds to consumer-spending growth in the coming months. That would be a bullish sign for the U.S. economy, because consumer spending accounts for roughly 70% of gross domestic product.

With credit still tight and household net worth below boomer-era levels, a genuine consumer-led recovery has to be fueled by income growth, which has barely budged in the past two years.

"We need jobs," Mr. Ryding says.

But at least the savings rate is a sign that investors might want to think twice before betting against U.S. consumers.

Bloomberg News

MGM Mirage's $8.5 billion CityCenter development on the Las Vegas Strip had put the debt-laden company on the edge of a bankruptcy filing.

MGM Mirage gets a reprieve

Lenders let developer of Las Vegas casino and resort defer much of $5.55 billion payment

By Alexandra Berzon

Lenders to **MGM Mirage** have given the Las Vegas-based casino company two more years to pay back a portion of a loan that was to come due in October 2011, the company disclosed Friday.

The deadline for the $5.55 billion senior bank credit facility had been a significant hurdle facing the debt-laden company, amid continued weakness in the Las Vegas casino industry.

MGM Mirage Chief Financial Officer Dan D'Arrigo called the agreement a "milestone" in efforts to improve the company's balance sheet, which has around $12.5 billion in debt, and further indication that a bank group led by **Bank of America** Corp., **Royal Bank of Scotland**, and **JP Morgan** are willing to be flexible with the casino company.

MGM Mirage, already shouldering debt from previous acquisitions, was a profligate borrower during the days of easy credit. To finance an expansion in Asia and upgrade Las Vegas casinos, the company racked up debt that at one time totaled $14 billion.

When Las Vegas fell victim to a massive downturn in spending last year, MGM Mirage teetered on the edge of bankruptcy, straining to make $100 million monthly payments on its $8.5 billion City Center project. Lenders amended the terms of the loan eight times to help the company regain its footing.

But the question of the credit facility's maturation in 2011 had still hung over the company.

"This shows the environment for both banks and our company is a lot more stable," Mr. D'Arrigo said. "We're not out of the woods but the banks clearly have put a lot of faith in our company and know that over time this business will recover."

Around 80% of lenders agreed to new terms, which extends the loan to February 21, 2014. The company will have to increase its interest payments to 7% from 6% to those lenders and will also have to pay back around $820 million by June, Mr. D'Arrigo said. The new terms allows the company to issue bonds secured by a casino asset to make that payment.

The company will still have to come up with around $1.2 billion by Oct.3, 2011, to pay the lenders who didn't agree to the new credit terms.

Mr. D'Arrigo said the company has been working for around six weeks on the new agreement. It had previously told investors that an extension was in the works.

"This is one step to get investors more comfortable," said Chris Snow, an analyst for CreditSights. "This company still has a lot of work to do."

Another step the company expects to make to pay down debt is an initial public offering in Hong Kong based on its joint-venture casino partnership in Macau, as other companies have done. Analysts estimate that IPO could raise between $250 million and $500 million for the company. MGM Mirage also could recapitalize its $8.5 billion CityCenter casino, hotel, condo and retail joint-venture project, which has relatively little debt. But that could prove challenging if condo sales there are slow during a difficult real estate market, analysts say.

Las Vegas—where the company reaps around 75% of its revenue—is still on the decline as casino companies continue to slash room rates and visitors continue to spend less. MGM Mirage recently reported that its revenue fell 11% in the fourth quarter. Average hotel rates in Las Vegas declined 5.8% in December, according to the most recent data available from the Las Vegas Convention and Visitors Authority, as operators offered deals in an attempt to entice visitors. Rates fell 22% for the year.

MGM Mirage executives, unlike Las Vegas competitors who say the outlook there remains bleak, believe the city will begin to see recovery by the second half, based on their advanced bookings.

In a conference call Thursday, competitor Wynn Resorts Chief Executive Steve Wynn said that while he looks forward to robust growth in Macau, he doesn't see Las Vegas improving this year.

Tata Motors reports profit as luxury sales improve

By Anirban Chowdhury and Raghavendra Upadhyaya

MUMBAI—**Tata Motors** Ltd. Friday swung to a consolidated net profit for the fiscal third quarter from a year-earlier loss thanks to a rebound in sales of its Jaguar and Land Rover premium-car models.

Demand for luxury cars globally was hit last year by the economic slowdown and consumer preference for smaller, fuel-efficient models. Also, governments in Europe and the U.S. promoted sales of small cars by offering incentives on the purchase of such models. But, a global economic recovery is now helping to boost the sales of automobiles, including high-end cars.

India's biggest auto maker by revenue said it posted consolidated net profit of 6.5 billion rupees ($141 million) for the quarter ended Dec. 31, compared with a consolidated net loss of 25.99 billion rupees a year earlier.

Consolidated net sales surged 48% to 259.8 billion rupees.

The company said gross profit margin for the quarter was 11.74%.

"Things have started turning around," said Ravi Kant, vice chairman of Tata Motors. "The Jaguar-Land Rover profit is a big turnaround. Cost reduction is happening and that has been reflected in the bottom line. We hope to continue on this path," Mr. Kant said.

The company said the U.K.-based Jaguar and Land Rover brands, which it had acquired from **Ford Motor** Co. in June 2008, posted a net profit of 4.16 billion rupees for the third quarter. It didn't provide comparative figures.

"The turnaround in the European market has been better than expected," Carl-Peter Forster, the recently appointed chief executive of Tata Motors, told a news conference. "However, it might be too early to celebrate."

The combined sales of Jaguar and Land Rover to dealerships rose 28% to 56,700 vehicles from 44,300 units in the second quarter. Land Rover sales increased 34% from the second quarter, helped largely by models it launched in 2009. Sales of Jaguar rose 12% over the July-September quarter because of strong growth of its XF model.

Tata Motors vehicle sales in India also improved in the quarter, thanks to the introduction of new models, the positive impact of government stimulus and easier availability of car loans, the company said. Total sales of Tata's passenger cars rose 68% from a year earlier to 165,413 vehicles.

Car makers from Japan act quickly on recalls

By Yoshio Takahashi

Alarmed at how fallout from **Toyota Motor** Corp.'s recall issue has ballooned, Japanese car makers are reacting faster to possible defects by swiftly issuing recalls.

Japan's recall rules are less stringent than those in the U.S., which has allowed Japanese car makers to delay recalls after problems are reported.

But last week, Seiji Maehara, Japan's transport minister, announced a review of the vehicle-recall system with an eye toward strengthening his ministry's authority in gathering information.

"Obviously, car makers are trying to be more proactive," said Koji Endo, an analyst at Tokyo-based research firm **Advanced Research Japan**. He noted that if the rules become tougher, the companies will have no choice but to follow them.

Toyota has recalled close to 8.5 million vehicles world-wide to fix problems with gas pedals, brakes and other systems in some models. U.S. regulators say the acceleration problems may have caused as many as 34 deaths in the U.S.

The company has disclosed it has received subpoenas from a U.S. federal grand jury and the U.S. Securities and Exchange Commission.

Toyota's burgeoning troubles seem to have had a knock-on effect on other Japanese car makers, three of which issued recalls Thursday. **Suzuki Motor** Corp., **Nissan Motor** Co. and **Daihatsu Motor** Co. recalled a combined total of more than 500,000 vehicles in Japan and abroad. Suzuki's recall of 432,366 vehicles in Japan is the second-biggest domestic recall ever for the company and the largest in Japan this year, topping Toyota's recall of 223,000 hybrid cars earlier this month.

A Daihatsu spokesman said his company, which is 51%-owned by Toyota, is monitoring how recall regulations could change to gauge whether it would have to alter its recall approach.

A spokesman at Suzuki said the company has no plans to change its recall operations at present, while a Nissan spokesman declined to comment. All three companies said their recall decisions were unaffected by Toyota's situation.

In Japan, auto makers are required to report recalls to the government only if the problem puts the vehicle out of compliance with national safety standards. Other types of repair are done voluntarily without government supervision.

In the U.S., all recalls involving "safety-related defects"—not just those that cause the vehicle to miss safety standards—are supervised by the National Highway Traffic Safety Administration.

"I tend to think there is a great possibility that Toyota didn't share information with the government properly," Mr. Maehara said last week. "I think it's extremely important to strengthen our information-gathering system so the [transport] ministry and the consumers are given full explanations even when the problems seem trivial to the manufacturers."

Agence France-Presse/Getty Images

JAL posted a $525.7 million quarterly loss. A staff member guided a traveler at Tokyo's Haneda airport in February.

JAL's net loss widens

Despite result, airline says operations show signs of improvement

By Hiroyuki Kachi And Kazuhiro Shimamura

Japan Airlines Corp., which filed for bankruptcy protection in January, Friday reported a wider loss for its fiscal third quarter, but said its operations are showing signs of improvement.

JAL, Japan's biggest airline by revenue, posted a 46.7 billion yen ($525.7 million) loss for the period ended Dec. 31, wider than the 38.5 billion yen in the same period a year earlier.

Revenue tumbled 22% to 380.8 billion yen from 485.7 billion yen, while its operating loss narrowed to 25 billion yen from 39 billion yen.

The gloomy figures come as JAL attempts to turn itself around with the help of the quasigovernmental Enterprise Turnaround Initiative Corp. of Japan.

The airline has received government financing to support its operations during a restructuring that will reduce its 47,000-strong work force by a third, cut unprofitable routes and lighten its debt load.

While JAL said reduced flights were also responsible for the revenue decline, fewer flights resulted in lower costs.

The financial results are an indication as to why JAL was forced to seek a government-backed bailout, but they also suggest the government's repeated pledge to support the firm and its bridge loans helped limit JAL's loss of business.

However, some of JAL's business indicators, such as its load factor, or percentage of available seats occupied, picked up from a year earlier's December quarter when the government was scrambling to put together the airline's turnaround plan.

JAL's administrator from the Enterprise Turnaround Initiative Corp., Akitoshi Nakamura, said the company's expected loss for the fiscal year through March will likely be smaller than the previously projected operating loss of over 260 billion yen.

"We are likely to have averted the worst-case scenario" and JAL will not need to use all of the 600 billion yen line of emergency loans made available by the government, Mr. Nakamura said.

But the airline didn't provide detailed information about its reform progress, saying information available for disclosure is limited during the court-led rehabilitation process and some financial data can't be finalized before more reform plans are set.

During the just-ended quarter, the airline's revenue from international passenger services fell 37% from a year earlier to 110.8 billion yen. Its domestic passenger services recorded revenue of 144.9 billion yen, down 14%. Its international cargo business registered revenue of 31.1 billion yen, down 18%.

The firm's earnings are based on Japanese accounting standards.

Apple hits suppliers' labor practices

By Andrew Morse And Nick Wingfield

SAN FRANCISCO—**Apple** Inc. said audits of its suppliers uncovered 17 core violations of its policies, including three cases in which its contractors hired underage workers last year.

The Cupertino, Calif., company, in a report posted to its Web site, said three facilities had hired a total of 11 employees prior to reaching the legal working age in those countries. Some of the workers were as young as 15 years old, Apple said. At the time of the audit, the workers were either no longer underage or employed by the contractors. Apple didn't name the suppliers or identify in which countries the infractions of its policies occurred.

The document summarizes the results of on-site audits of 102 facilities and says roughly 133,000 workers, supervisors and managers have been trained as part of its program. This is the fourth year Apple has audited the work practices of its suppliers, a practice that started in 2006 after reports of worker abuses at Hon Hai Precision Industry Co.'s Foxconn, a Chinese manufacturer that assembled iPods for Apple.

Like most hardware makers, Apple depends heavily on manufacturing partners in Asia to build its products, but hit items such as the iPhone and Apple's penchant for secrecy have increased scrutiny of facilities connected with Apple.

Apple is significantly increasing its own presence in China too. At the company's shareholder meeting last week, Apple executives said the company plans to open as many as 25 Apple retail stores in China in the near future. It currently has one Apple store in the country.

Apple spokesman Steve Dowling said the company audited its supplier facilities to "make sure they comply with Apple's strict standards" and that the company also created "extensive training programs to educate workers about their right to a safe and respectful work environment."

The company said the audits included annual reviews of final-assembly manufacturers, first-time audits of component and nonproduction suppliers and 15 repeat audits of facilities at which a core violation had been discovered. "A core violation is the most serious class of violation," Apple said in the report.

The company said core violations include abuse, underage employment, involuntary labor, falsification of audit materials, threats to worker safety, intimidation or retaliation against workers in the audit and serious threats to the environment. Apple said it requires facilities it has found to have a core violation to address the situation immediately and institute a system that ensures compliance. The facility is also put on probation and later re-audited.

In addition to the underage employment violations, Apple said it found eight cases where excessive recruitment fees were paid, three violations involving hazardous-waste disposal and three involving falsified records. Apple said its audits have resulted in foreign workers being reimbursed $2.2 million in overcharges for recruitment fees.

Daiichi Sankyo unit to sell generic drugs

By Kazuhiro Shimamura

TOKYO—**Daiichi Sankyo** Co. said Friday it will set up a subsidiary in April to produce and sell generic drugs in Japan, in a rare move by a domestic maker of branded prescription drugs to tap the market of low-priced pharmaceuticals.

The pharmaceutical company will cooperate with its generic-drug unit, **Ranbaxy Laboratories** Ltd. of India, in product development.

Tokyo-based Daiichi Sankyo joins a growing list of companies entering the Japanese generic-drug market, where demand has been expanding in recent years as the government pushes for increased use of such low-priced drugs to cut national health-insurance costs.

The new business plan by Daiichi Sankyo follows the expansion of generic-drug businesses in Japan by **Pfizer** Inc. of the U.S. and **Teva Pharmaceutical Industries** Ltd. of Israel. The moves mean that smaller generic-drug makers are likely to face tougher competition in coming years, and some could even be forced out of the market.

Major pharmaceutical companies will be able to take advantage of low production costs at their generic business units and partners, as well as employ existing sales staff and channels used to market their branded drugs.

Generic drugs contain the same ingredients as original products whose key patents have expired. The Japanese government aims to nearly double the market share of such drugs to 30% in eight years through March 2013.

Daiichi Sankyo said its new company, Daiichi Sankyo Espha Co., will be established in Tokyo in April and will start operations around October by selling mainly Daiichi Sankyo's off-patent prescription drugs.

While a product lineup hasn't been finalized, a person at the company familiar with the matter said Daiichi Sankyo will aim for annual sales of about 50 billion yen, or approximately $563 million, in 2015, a level close to those of leading Japanese generic-drug makers such as Nichi-iko Pharmaceutical Co. and **Sawai Pharmaceutical** Co.

Daiichi Sankyo is developing a business model focused on both original and generic drugs after it acquired Ranbaxy in 2008.

Other major Japanese pharmaceutical companies remain cautious about entering the domestic generic-drug business because their branded products without patent protection have been attractive revenue sources. That industry landscape is gradually changing, with the Japanese health ministry applying bigger price cuts to such off-patent drugs and planning further review of the prescription system to promote generic-drug use.

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IPO market off to awkward start

Investors globally are growing more selective, leading to postponed deals and price cuts

By Lynn Cowan

The global IPO market has spent the first two months of 2010 in a post-New Year's stupor, stumbling through a mess of poor pricing and performance.

IPO FOCUS

As more companies cut their offer prices, show lackluster trading or postpone, investors are becoming even more selective about buying initial public offerings, creating a negative spiral that feeds upon itself.

"I don't think any part of the market is showing meaningful outperformance at this time," says Thomas B. Fox Jr., head of global capital markets for the Americas at UBS AG. "IPOs are very much viewed in a global context. Many of the same accounts are involved in buying deals, whether they are on the Hang Seng or in the U.S."

Indeed, a tendency to avoid risk appears to have spread to every major market. The latest casualties of the trend include three major U.K. deals that were postponed in February: retailer **New Look Group** PLC, entertainment firm **Merlin** and a $1.78 billion offering for online travel business **Travelport** LLC.

In the U.S., six of the seven deals to come public this year had to cut their prices to get done; a half-dozen others have been postponed after failing to price.

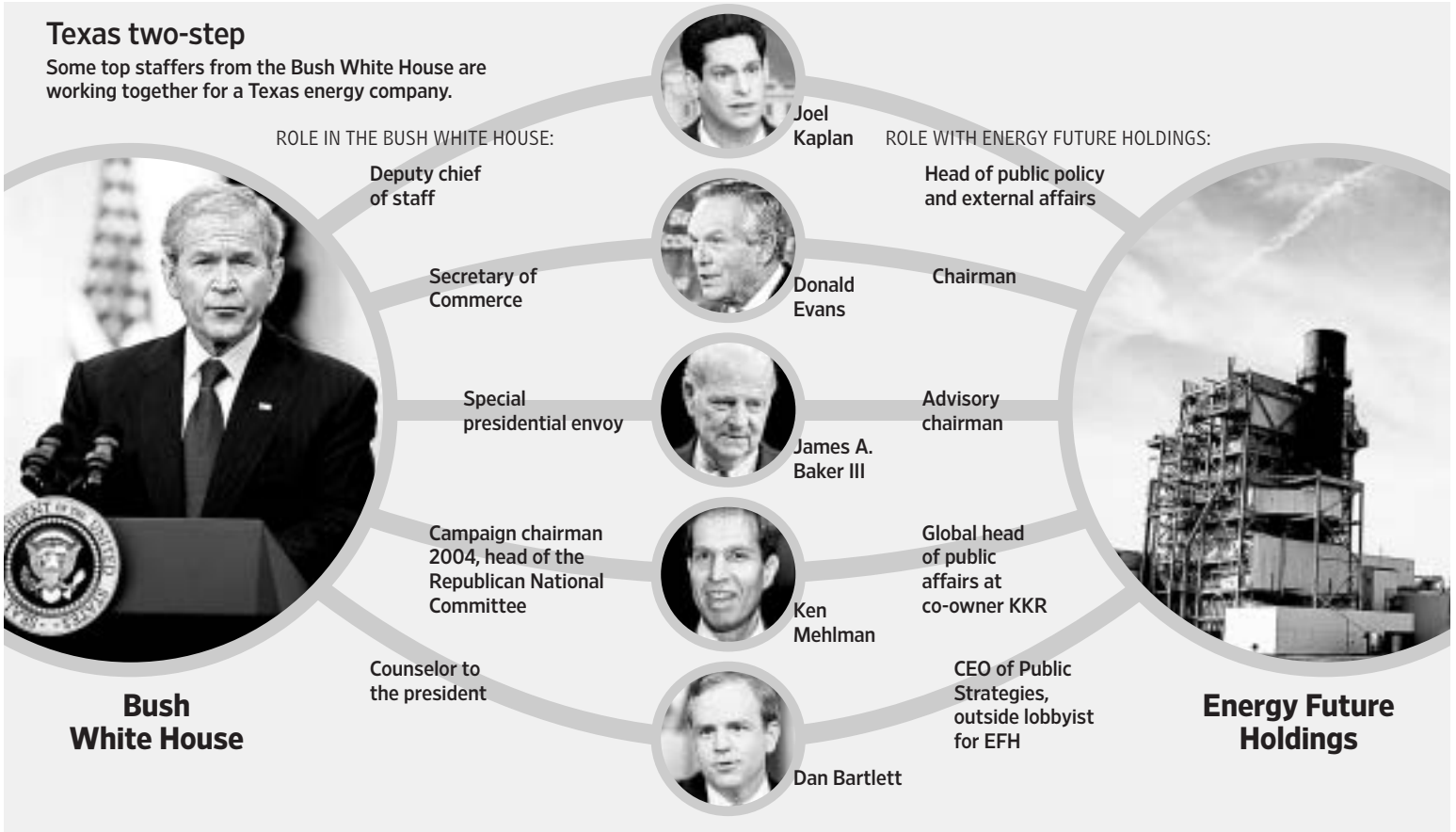
On Thursday, India's **Hathway Cable & Datacom** Ltd. closed down 13%, the latest in a series of tepid openings on Indian markets. In China, **Huatai Securities** Co. rose 5.3% during its debut in Shanghai on Friday, snapping a series of recent new-stock declines; but 5.3% is a subpar performance in a country where most companies gained at least 40% on their first day of trading last year.

Still, IPO markets are more active this year than last—though that isn't much of an accomplishment. Globally, data tracker Dealogic counts 138 deals pricing since Jan. 1, up from 31 in the same period of 2009, which was a disastrous year for stock issuance in the U.S. and Europe. In 2007, the last year of stable IPO activity before the market meltdown, 226 stocks came public from January through February.

Nearly half of the increase in deals this year can be attributed to China's continued output of new offerings. Other major regions of the world have managed to eke out no more than a dozen offerings: Europe has tallied 12; India, 11; and Latin America, two.

Bankers remain hopeful that issuance will pick up in the second quarter, with caveats: Economies around the world need to avoid another major financial crisis and show signs that recovery is under way.

It is too early in the year, and there are too few IPOs, to assume that the rest of 2010 will follow in the footsteps of January and February, says Tyler Dickson, head of global capital markets origination at Citigroup Inc. What remains to be seen is whether more companies opt to wait until the second half of 2010 to debut.


Texas two-step
Some top staffers from the Bush White House are working together for a Texas energy company.
ROLE IN THE BUSH WHITE HOUSE:
ROLE WITH ENERGY FUTURE HOLDINGS:
Joel Kaplan
Deputy chief of staff
Head of public policy and external affairs
Secretary of Commerce
Donald Evans
Chairman
Special presidential envoy
James A. Baker III
Advisory chairman
Campaign chairman 2004, head of the Republican National Committee
Ken Mehlman
Global head of public affairs at co-owner KKR
Counselor to the president
Dan Bartlett
CEO of Public Strategies, outside lobbyist for EFH
Bush White House
Energy Future Holdings

Utility taps the power of Bush bigwigs

By Peter Lattman And Rebecca Smith

Another de facto Bush White House reunion is taking place at **Energy Future Holdings** Corp., a debt-heavy Texas utility once known as TXU Corp. that is controlled by a trio of the world's largest private-equity funds.

Joel Kaplan, former deputy chief of staff under President George W. Bush, joined the company in October as head of public policy and external affairs. Based in Washington, Mr. Kaplan effectively serves as EFH's lobbyist in chief.

With Mr. Kaplan's addition, there are at least half a dozen former Bush bigwigs helping EFH. The list includes: Donald Evans, former Commerce secretary; James A. Baker III, who held positions in the Reagan and both Bush administrations; Ken Mehlman, campaign chairman for Mr. Bush's 2004 presidential campaign and former head of the Republican National Committee, and Dan Bartlett, former counselor to Mr. Bush.

Their presence underscores just how critical government relations are for utilities, whose fortunes are tied to rules set by state and federal regulators. Utilities face restrictions on their waste stream—including carbon-dioxide emissions—that could increase operating costs and put a squeeze on earnings. As a large coal burner, EFH is especially vulnerable.

When **Kohlberg Kravis Roberts** & Co., **TPG** and **Goldman Sachs Group** paid $32 billion for TXU in October 2007, in the largest leveraged buyout ever, they recruited Mr. Evans as the company's chairman. They also named Mr. Baker as advisory chairman on political and regulatory issues.

At the time, Messrs. Evans and Baker, both Houston natives, helped persuade a broad set of parties—from Texas lawmakers to regulatory agencies to labor unions—that Texans would help guide the company and that the deal made sense.

More than two years later, it isn't clear that it did. In 2007, the private-equity owners borrowed $31.5 billion from banks to pay for the company. Since then, a drop in natural-gas prices and a slumping Texas economy has hurt EFH's financial results. The company has had little success restructuring its balance sheet, and though the bulk of its loans don't come due until 2014, several credit analysts have described EFH's capital structure as untenable.

For now, the owners are sitting on about $5 billion in paper losses, having marked down their $8.3 billion equity investment by about 60%. Those losses haven't hampered EFH's lobbying efforts in Washington. EFH spent about $4 million on federal lobbying in 2009, according to the Center for Responsive Politics, up 59% from the previous year and more than three times that of 2006. With a Democratic administration and Congress, the company has also increased its spending on Democratic lobbyists.

"We spent more in 2009 engaging on federal matters because there was far more activity in D.C. on issues that impacted us than in past years," said EFH spokeswoman Lisa Singleton. "We feel that it's important to be part of that debate."

Issues continue to pile up for EFH. The Dallas-based company is hoping to win federal government loan guarantees to build two nuclear reactors at a cost of $15 billion. At the same time, the Obama administration is moving to clamp down on pollution from coal, used to fuel many of EFH's power plants. And there is the still larger issue of how to regulate carbon-dioxide emissions.

And in Texas there is a continuing debate about EFH's size and influence in the state's deregulated power market. Republicans control the Texas House and Senate. In addition, Texas officials have more control over their electricity market than do officials in any other state. As a result, Republican credentials carry special value there.

Citi cuts size of its board: Three are out, Zedillo to join

By Randall Smith

Citigroup Inc. plowed ahead with a director shake-up, unveiling plans to add former Mexico president Ernesto Zedillo to the financial giant's board in April and the departure of three longtime directors.

Mr. Zedillo, who grappled with a peso crisis while leading Mexico from 1994 to 2000, is likely to help Citigroup as it hones the non-U.S. operations that have cushioned the company from its woes since the financial crisis erupted.

Friday's moves will shrink the size of Citigroup's board to 15 members from 17. As expected, Michael Armstrong, former chief executive of AT&T Corp. and the longest-serving Citigroup director, won't come up for re-election at the bank's next shareholder meeting. Also leaving the board are Anne Mulcahy, chairwoman of Xerox Corp., and John Deutch, a professor at Massachusetts Institute of Technology. Mr. Deutch had announced his exit.

The three directors had more than 40 years combined on the Citigroup board. That left them vulnerable to criticism, since Citigroup piled assets on to its balance sheet during the credit-market bubble that eventually caused huge losses.

Mr. Armstrong, 71 years old, was a particular lightning rod, since he headed the audit and risk-management committee of Citigroup's board. He stepped down from that post in 2008.

In a statement, Mr. Armstrong said his decision to leave the Citigroup board was based on "bringing in excellent new board members, the financial strength of the company, and my judgment the board should now be smaller."

Richard Parsons, Citigroup's chairman, said Mr. Zedillo would help the company "build on its unmatched global strengths." Citigroup does business in 140 countries and promoted Manuel Medina-Mora, head of Latin American operations, to chief executive of consumer banking for the Americas.

Mr. Parsons has been bringing new blood to Citigroup's boardroom since last year, including two seasoned bankers and a private-equity investor. Still, said Christopher Whalen, co-founder of Institutional Risk Analytics, the company needs "to find people who have real operational and financial skills to sit on this board [instead of] politicians."

Separately, Saudi Arabia's billionaire Prince Alwaleed Bin Talal, Citigroup's biggest individual shareholder, reiterated Saturday his support of the bank's chief executive, Vikram Pandit, and Citigroup's management.

On Sunday, Mr. Pandit said Citigroup is exploring new investment opportunities in the Middle East, which is a "core part" of its growth strategy.

Last month, Mr. Alwaleed told Fox Business that 2010 was the year Mr. Pandit had "to deliver" results and that shareholders had already given the U.S. bank two years to turn it around. In 2006, Mr. Alwaleed grew impatient with the U.S. bank's former CEO Chuck Prince, complaining that the bank's costs were rising faster than its revenue. Mr. Pandit succeeded Mr. Prince in 2007.

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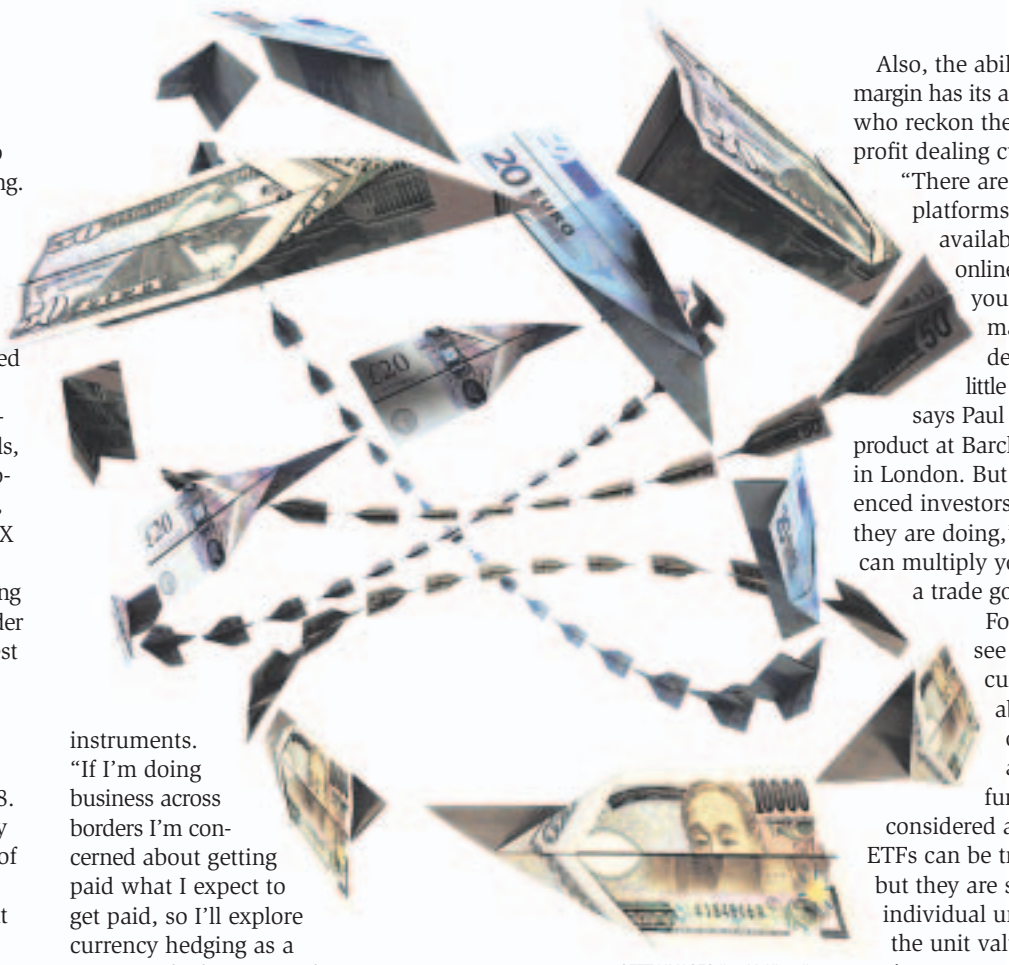
FOREIGN EXCHANGE TRADING

Investors are offered a variety of trading tools

By Jon Mainwaring



GETTY IMAGES/Ian McKinnell

Globalization has provided a huge boost to foreign exchange trading. And despite a short-lived setback triggered by the financial crisis of 2008, the indications are that it will continue to do so.

"Everyone is somehow involved in foreign exchange, from retail traders to institutional asset managers, hedge funds, pension funds, insurance companies and corporates," says Martin Wiedmann, Credit Suisse's head of global FX sales and distribution based in Zurich. "Everyone who is investing cross-border, exporting cross-border or simply traveling has an interest and exposure to FX."

FX trading volumes suffered after the credit crunch began in earnest when Lehman Brothers collapsed in the autumn of 2008. In October of that year, a survey from the Federal Reserve Bank of New York-sponsored Foreign Exchange Committee found that North American average daily volume of over-the-counter FX instruments reached its highest-ever level at $762 billion, but six months later this figure had fallen to $527 billion.

Risk reduction

"Immediately after the fallout from the collapse of Lehman, volatility in foreign exchange increased by around three to four times. This resulted in lower trading volumes and risk reduction due to the uncertainties in the marketplace," explains Mr. Wiedmann.

However, Mr. Wiedmann says that volatility is now back to more normal levels and FX volumes have resumed their previous rate of growth. This is reflected by recently published Foreign Exchange Committee figures, which showed that average daily FX volume in North America had recovered 28.1% from $527 billion in April of last year to reach $675 billion by October.

Despite the hiatus in early 2009, global FX business has seen significant growth during the past decade, says Peter D'Amario, a consultant at Stamford, Connecticut-based Greenwich Associates which provides strategic advice to the financial services industry.

Driving this growth has been the treatment of FX as an asset class. "This is not just for hedge funds. They have certainly been a big driver, but the increasing use of FX as an asset class has also been seen among 'real money' funds [where the capital invested has not been borrowed]," says Mr. D'Amario.

Meanwhile, corporations have had a growing interest in FX instruments. "If I'm doing business across borders I'm concerned about getting paid what I expect to get paid, so I'll explore currency hedging as a means to lock in an exchange rate," says Mr. D'Amario.

The fact that the FX market is made up of both profit seekers, who enter into currency transactions in order to benefit from their rapid movements, and liquidity seekers, who enter into currency transactions to operate or invest abroad, led Deutsche Bank to publish a research note in 2007 that showed that "money is left on the table" by liquidity seekers that can be picked up by profit seekers. "What makes the FX market unique is that you have a significant number of market participants whose objective is not to make money from currency positions," says Torquil Wheatley, head of currency solutions for pension funds and insurers at Deutsche Bank in London. The resulting market inefficiency combined with its liquidity underpins the attractiveness of currencies as an investment-class asset, he says.

"Everyone who is investing cross-border, exporting cross-border or simply traveling has an interest and exposure to FX."

The Internet and e-commerce have been important factors in how FX trading has grown over the past decade. "A key driver has been third-party platforms like FXall, which can offer dealers several prices from different banks," says Mr. D'Amario.

Also, the ability to trade FX on margin has its attractions for many who reckon they can make a profit dealing currencies.

"There are a variety of platforms and instruments available, but trading FX online generally involves you just putting up a margin where your deposit can be as little as 1% of the trade," says Paul Inkster, head of product at Barclays Stockbrokers in London. But "this is for experienced investors who know what they are doing," he warns, as this can multiply your losses should a trade go against you.

For investors who see a particular currency as a suitable alternative to other asset classes, an exchange traded fund (ETF) can be considered a safer option. ETFs can be traded like shares, but they are set up so that their individual unit price reflects the unit value of the underlying asset, such as a currency. "Exchange traded funds are much more accessible for inexperienced investors," says Mr. Inkster. "They are not leveraged, so you cannot lose more than your initial investment, but they can be a stepping stone into the FX market."

Derivative instruments

At the other end of the FX spectrum, more complicated FX trades are available thanks to derivative instruments, such as FX options. One of the more straightforward products is a dual currency deposit, which aims to generate returns by exploiting movements between a base currency and another currency.

Despite current concerns about the well-being of currencies such as the euro, the future of the FX market looks bright and is set to benefit from the same growth drivers that have played their part in boosting participation in FX over the past decade. "The drivers will be continued globalization of assets, global economic growth returning to more normal levels and FX e-commerce platforms further cheapening transaction costs," says Credit Suisse's Mr. Wiedmann.

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Lewis's exit pay is hefty

Retired Bank of America chief executive will get about $83 million

By Dan Fitzpatrick

Retired **Bank of America** Corp. Chief Executive Kenneth Lewis left with about $83 million in pension and insurance benefits, stock and other compensation, according to a securities filing Friday.

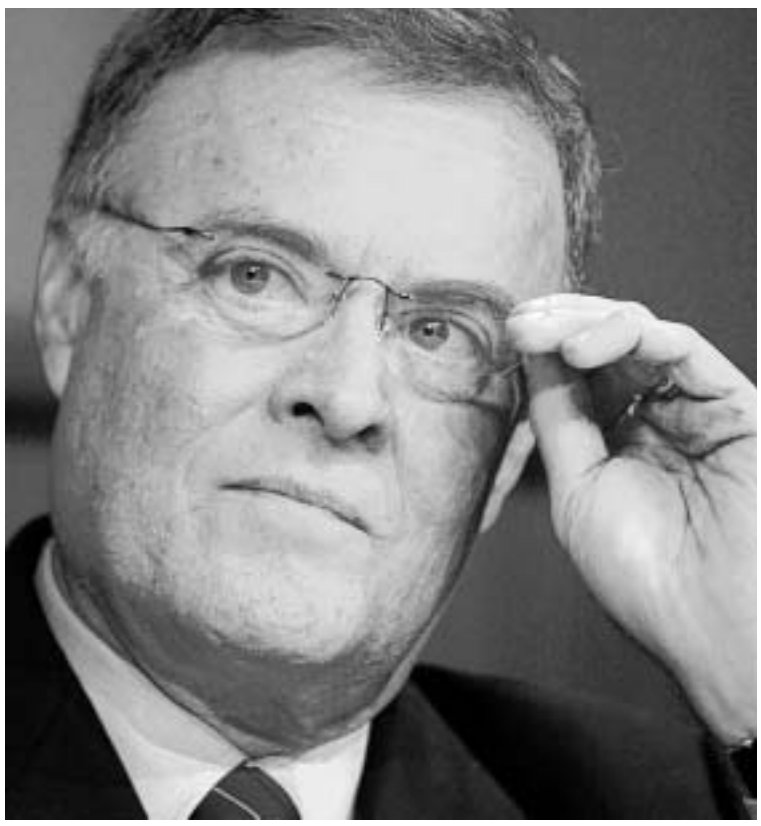
The filing by the Charlotte, N.C., bank also disclosed that the highest-paid executive at the nation's largest bank by assets in 2009 was Thomas Montag, who got $29.9 million in total compensation as president of global banking and markets.

Mr. Montag, 52 years old, is restoring stability to Merrill Lynch following a talent drain caused by the tumultuous takeover of the securities firm by BofA in January 2009. Two-thirds of Mr. Montag's pay last year came in the form of restricted shares granted when he was hired by Merrill in 2008. He joined Merrill a month before the acquisition pact.

The trading and investment-banking chief far outearned new Bank of America CEO Brian Moynihan, whose 2009 compensation was $6.5 million, the filing said. Mr. Moynihan, 50, became chief executive on Jan. 1.

Gregory Curl, the company's former risk officer who lost out to Mr. Moynihan in the competition for the top job, got compensation valued at $10.6 million. As expected, Bank of America confirmed in Friday's filing that Mr. Curl, 61, will retire from the company at the end of March. Mr. Curl isn't eligible for any cash severance payments upon retirement but can collect about $21 million in pension benefits and deferred compensation, according to the filing.

Mr. Lewis, who retired Dec. 31, got 2009 compensation of $4.2 million. That came largely from an increase in the value of his pension benefits. Mr. Lewis agreed last fall to give up his 2009 base salary and any chance at a bonus at the request of Treasury Department pay czar Kenneth Feinberg, who made the request based on concerns about the amount of benefits Mr. Lewis could collect upon retirement.



Associated Press

Retired Bank of America Chairman Kenneth Lewis left with heft benefits.

According to the filing, the 62-year-old Mr. Lewis is eligible for about $57 million in pension benefits, about $11 million in deferred compensation and an additional $4.6 million in vested and unvested stock.

He also left BofA with a life-insurance policy valued at $10.3 million, but those benefits won't be paid out until he and his wife die.

Bank of America said that Joseph Price, who recently took over Mr. Moynihan's former duties as president of consumer and small-business banking, got 2009 compensation of $6.1 million.

Messrs. Price and Lewis have been accused by New York Attorney General Andrew Cuomo of defrauding investors by not disclosing certain information about Merrill's losses in late 2008.

Messrs. Price and Lewis have denied any wrongdoing. They declined to comment Friday through a spokesman.

HSBC CEO may donate bonus

By Sara Schaefer Muñoz

LONDON—**HSBC Holdings** PLC Chief Executive Michael Geoghegan on Monday will be awarded a bonus of as much as £4 million ($6.1 million) for 2009, but is likely to give all or part of it to charity, according to people close to the matter.

The move by the chief executive of Britain's largest bank would come as lenders have wrestled with the politically difficult question of how to reward top executives amid public anger over pay following the financial crisis.

The HSBC decision on executive compensation, to be announced Monday when it reports its annual results, follows decisions by leaders of the U.K.'s other top banks—**Barclays** PLC, **Royal Bank of Scotland Group** PLC and **Lloyds Banking Group** PLC—to waive 2009 bonuses.

Elsewhere, some other top bankers, however, have accepted awards. U.S. bank **J.P. Morgan Chase** & Co. disclosed in February that CEO James Dimon received a $16 million award for 2009.

At HSBC, the bonus issue has been especially tricky. The bank didn't accept direct government aid during the financial crisis. HSBC, while based in London, has significant operations in Asia, and weathered the financial crisis more successfully than its U.K.peers.

Reuters

Michael Geoghegan, HSBC CEO

But at the same time, the bank's chairman, Stephen Green, has publicly criticized excesses in banker pay, and three years ago asked the board to stop awarding him a bonus.

People close to HSBC hope its approach will help distinguish it from U.K. peers like RBS and Lloyds as a stronger global bank. Despite the billions it has lost through its subprime-lending business in the U.S., the bank booked a profit of $3.3 billion in the first half of 2009. Analysts expect the bank to report strong 2009 results Monday.

A person close to the matter said Mr. Geoghegan has long been involved in charities, especially related to education for children in Africa, and that if Mr. Geoghegan donates his bonus, it would be logical for him to support such efforts.

In addition to Mr. Geoghegan, the bank's chief financial officer, Douglas Flint, and the head of global banking and markets, Stuart Gulliver, are set for handsome 2009 payouts. Mr. Gulliver's pay is based on the performance of his division, which is expected to report a strong 2009 profit. In the first six month of the year, the global banking and markets division booked a pretax profit of $6.3 billion.

The board of HSBC had been considering up to 40% salary raises for Mr. Geoghegan and Mr. Flint, above their base salaries of £1.07 million and £700,000, respectively, according to people close to the matter. But the executives realized it would be politically difficult to take both a significant salary raise and a bonus this year, and opted for the bonus, a person close to the matter said.

Calpers weighs cutting its forecast for returns

By Gina Chon

Calpers is considering whether to reduce the projected rate of return used by the giant pension fund to make investment decisions.

Since 2003, the California Public Employees' Retirement System has assumed that the value of its stocks, bonds and other holdings would increase by 7.75% a year. But the likelihood of an extended period of modest economic growth world-wide is fueling doubts inside Calpers that the pension fund can continue aiming so high.

No specific alternate targets have been discussed by Calpers officials, but the board has been encouraged to shrink its projected rate of return to as low as 6%.

"It's bruising...but it has to be done," said David Crane, a pension adviser to California Gov. Arnold Schwarzenegger. Facing a projected budget deficit of nearly $20 billion, the Republican favors a lower target at Calpers, according to Mr. Crane. Calpers manages about $200 billion, making it the U.S.'s largest public pension fund.

The percentage is an important factor in calculations by Calpers officials of future contributions needed from employees and local governments to cover payouts promised to retirees and other beneficiaries. If the return assumption declines, contributors likely would have to make up the difference.

Paying more into Calpers could deepen the financial misery facing many California governments. Some likely would increase taxes or cut services.

For the pension fund, lower investment-return expectations could reduce the temptation to seek outsize profits through real-estate, private-equity and other nontraditional investments that wound up burning Calpers with big losses.

In its fiscal year ended June 30, Calpers was down 23%, or $58 billion, the worst performance in the pension fund's 78-year history. It was up 12% for the year ended Dec. 31. Calpers's annualized return over the past 20 fiscal years is slightly higher than the 7.75% target.

At a meeting of the pension fund's investment committee last month, some Calpers board members pressed to review whether the current 7.75% projected rate of return still is realistic.

"We intend to open that question," responded Joseph Dear, the pension fund's chief investment officer, according to a transcript of the meeting. "Should we be considering other possible outcomes?"

Patricia Macht, a Calpers spokeswoman, said Mr. Dear still feels comfortable that 7.75% "could be the right number, but he's not making that prediction." The pension fund wants to hear varying opinions so that it has the information it needs to make a decision, she added.

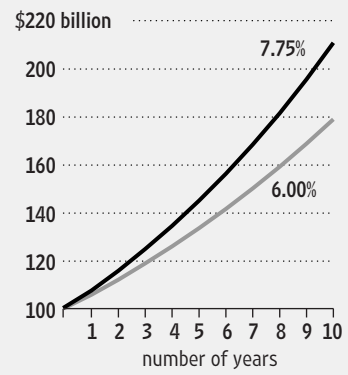
The decision isn't expected until early 2011. Calpers officials also are examining the pension fund's asset allocation, risk management and other areas as part of a routine review done every three years.

Pressure to lower the target has been building for months. "You'll be lucky to get 6% on your portfolios, maybe 5%," **BlackRock** Inc. Chairman and Chief Executive Laurence Fink told Calpers board members last July.

Calpers is a client of the New York company. Mr. Fink declined to comment Friday.

Mind the gap

Over 10 years, a pension fund would earn $32 billion more on its initial $100 billion from a 7.75% annual return than a 6% return



Source: Pew Center on the States

Calpers last reduced its rate-of-return assumption in 2003 amid economic turbulence. The previous target was 8.25%.

The most common projected rate of return among public pensions in the U.S. is 8%, according to Pew Center on the States, a research unit of Pew Charitable Trusts. But that figure looks daunting following double-digit percentage losses at many pension funds amid the financial crisis.

Even though many pension funds topped their assumed returns over the long term, "whether or not that should be the rate going forward is another question," says Kil Huh, Pew research director.

William Atwood, executive director of the Illinois State Board of Investment, says he is comfortable with the pension fund's assumed 8.5%-a-year return, noting that Illinois has earned about 8.6% a year since 1970.

Still, public pension systems are watching Calpers closely because "they are the big kid on the block," Mr. Atwood says. The Illinois investment board manages three pension funds with $8.7 billion in assets.

At Calpers, about 75% of payouts come from the pension fund's investments, with the remaining 25% tied to contributions from California governments and employees.

According to Pew, a hypothetical $100 billion pension fund that achieved a 7.75% return rate for 10 years would have about $211 billion. With a 6% rate, the same fund would grow to $179 billion—a difference of $32 billion.

Mr. Schwarzenegger has proposed as part of the budget being debated in Sacramento that state employees contribute an additional 5% for their retirement costs. While forcing outsiders to pump more into Calpers would be painful, there is no alternative given the huge liabilities facing the pension fund, said Mr. Crane, the governor's pension adviser.

Another potential loser if Calpers decides to ratchet back its ambitions: private-equity firms. The pension fund was a private-equity pioneer, starting with a $1 billion allocation in 1990 that has since grown to about $25 billion.

A lower assumed rate of return could cause Calpers to reduce its exposure to private equity and other aggressive holdings. The fund already is looking to prune the number of private-equity firms with which it invests and reduce fees by making direct investments in deals.

—Peter Lattman contributed to this article.

The case for platinum, palladium

With positive supply-demand forces and new ETFs, the metals look set for long-term gains

By Matt Whittaker

COMMODITY MARKETS

Some investors have been reducing their exposure to platinum and palladium over the past few weeks after the launch of exchange-traded funds backed by the metals helped send prices to their highest levels in more than a year. But with a slew of potentially bullish supply-and-demand fundamentals behind the metals—which are used primarily by the auto industry for catalytic converters—as well as a new fund in the wings that would suck even more metal off the market, prices for platinum and palladium are likely headed higher in the longer term.

Wealth-management firm **Fogel Neale Partners** recently sold its holdings in Montana-based palladium and platinum producer **Stillwater Mining** Co. and the **E-TRACS CMCI Long Platinum Total Return** exchange-traded note because the firm saw the metal as overbought. However, over the longer term, "platinum is one of [our] favorite commodities right now," said partner Andrew J. Neale.

Reuters

Norilsk Nickel, in the Russian city of Norilsk, is a large palladium producer.

If prices continue to decline, the firm is likely to come back in and buy the metal, perhaps through the newest exchange-traded platinum fund backed by physical supplies, Mr. Neale said.

Since beginning trading in early January, ETF Securities' **ETFS Physical Platinum Shares** has racked up more than 280,000 ounces of platinum, while **ETFS Physical Palladium Shares** has garnered about 470,000 ounces. The numbers are significant because the platinum and palladium markets are relatively small compared with other commodities such as gold or oil. There are only about 1.7 million ounces of platinum and 2.2 million ounces of palladium in open contracts on the New York Mercantile Exchange, compared with 47 million ounces in gold. The new platinum ETF has already soaked up the estimated 2009 platinum surplus of 140,000 ounces and the palladium fund has eaten up a significant chunk of the 655,000-ounce surplus of that metal.

ETF Securities notes in its latest filing with the U.S. Securities and Exchange Commission—to which it is applying for permission to launch a fund backed by a basket of precious metals, including the platinum group—that purchasing of metal to back shares "may temporarily increase the market price of gold, silver, platinum and palladium."

After rising past $1,650 an ounce this year amid support from the new ETF, April platinum settled Friday at $1,539.90, about $100 higher than when the SEC approved the fund in late December. The metal is still well above its 2008 low, when nearby prices fell below $800. Palladium has traded similarly. The March contract Friday settled at $432.40—from a high near $475 in January.

Also, the world auto industry may be on the cusp of a recovery, with robust sales in China offering the market some optimism.

AIG posts loss, says 'not out of the woods'

By Serena Ng And Joe Bel Bruno

American International Group Inc. reported an $8.9 billion fourth-quarter loss due mainly to asset-divestment charges and an increase in funds set aside to cover potential policy losses at a core insurance business.

The bailed-out insurance giant indicated that while it has made progress on planned asset sales, it still has a challenging road ahead in its strategy to repay U.S. taxpayers and emerge as a viable enterprise.

After logging record losses a year ago, the numbers could only get better for AIG in 2009. The company's fourth-quarter loss of $65.51 a share brought its full-year loss to $10.9 billion, versus 2008's $99.3 billion loss.

"While we are not out of the woods by any stretch, these numbers represent a significant improvement," said AIG Chief Executive Robert Benmosche in a presentation. He credited improving markets and economic conditions as helping AIG's prospects but noted that "a tremendous amount of work remains to be done."

During the fourth quarter, AIG's global property and casualty insurance business, Chartis, increased its loss reserves for prior accident years by $2.3 billion, resulting in a $1.8 billion operating loss for the period.

The $2.3 billion increase represented 3.6% of Chartis's carried loss reserves at the end of 2009 and prompted Fitch Ratings to review its A+ ratings on AIG's domestic property/casualty insurance units for possible downgrades. The ratings firm expressed concerns about AIG's "reserve adequacy and underlying profitability, primarily on long-duration casualty business lines." Chartis also is operating in an increasingly competitive general insurance market where premium rates are falling.

AIG's domestic life-insurance and retirement businesses produced a $1 billion operating profit in the fourth quarter, versus an $835 million operating loss a year ago. Its financial-products unit unwound about half its derivative trades over the past year, and plans to derisk the bulk of its portfolio by the end of 2010. One-off charges relating to asset divestments and a tax valuation allowance charge were the primary reasons for AIG's overall fourth-quarter loss, the company said.

Stocks, commodities return to parallel tracks

Continued from page 17

Mr. Johnson's fund recently sold copper that was due to be delivered in three months, instead buying copper due for delivery in a year. The move is a bet that supply and demand gradually will return as the dominant forces in commodities prices.

But that could take a long time. Last Wednesday's surge by stocks and oil shows how unmoored the markets are from normal. The U.S. government said oil inventories reached their highest level in three months, a sign of ample supply. That typically drives down oil prices.

ABREAST OF THE MARKET

Meanwhile, Federal Reserve Chairman Ben Bernanke said the central bank would keep interest rates near zero for at least a few more months, easing fears that the struggling economic recovery could stall. The Dow Jones Industrial Average, which lost 120 points over the previous two sessions, rose 91.75 points, or 0.9%. Light, sweet crude for April delivery settled up $1.14, or 1.5%, at $80 a barrel on the New York Mercantile Exchange.

Mr. Bernanke's comments boosted stocks and commodities because investors have been using cheap money to bet on both sectors.

Still, some market watchers warned that it would be foolish to expect a sustained rally absent economic recovery.

"We are here to state categorically that rising oil prices have nothing whatsoever to do with rising equities," Mike Fitzpatrick, vice president for energy at MF Global, told clients in a research note Thursday. "Unless and until consumers go back to work, and start feeding the demand upon which oil prices are necessarily dependant, prices will remain in check."

Stocks and commodities began roughly tracking each other in about mid-2008. Both markets fell sharply in late 2008, bottomed out early last year and then rebounded strongly, though commodities often jumped even more wildly than stocks. The Standard & Poor's 500-stock index finished 2009 up nearly 27%, and copper prices more than doubled.

The surprisingly close movements reflected the depth of the financial crisis as tight credit, declining home values and rising unemployment crimped corporate earnings and demand for commodities. Economic woes have caused asset types to behave in untraditional ways, with gold recently bought and sold more like a risky asset than the ultimate safe haven.

Stocks and commodities now are lashed together by worries of a double-dip downturn in the economy that are drowning out the usual supply-and-demand signals that propel prices for gasoline and other commodity staples.

"Commodities markets make a conjecture on future growth, and people in equities make a conjecture on future earnings, which are based on future growth," says Jason Schenker, president of Prestige Economics, a commodities-market consulting firm in Austin, Texas.

Oil and stocks could part ways if first-quarter corporate earnings are disappointing without derailing U.S. economic growth, Mr. Schenker says. In another scenario, a crackdown by U.S. regulators on speculative trading could push some investors out of commodities but leave the stock market unscathed.

Mr. Johnson, the Pimco fund manager, will look to see whether oil prices rise in response to higher gasoline demand if driving picks up as expected during the spring. Such a move would signal that commodities are "really responding to fundamentals," a healthy sign for the overall market, he says.

At the moment, though, there is disagreement even whether oil prices will rise. Last week, Goldman Sachs raised its oil-price forecast for 2010 to $85 to $95 a barrel. That level hasn't been seen since 2008. Standard & Poor's trimmed its projection to $76.27 but increased its 2011 forecast for oil prices.

—Brian Baskin contributed to this article.

How Hong Kong authorities control pain of property-price gyrations

Continued from page 17

Applied Analytics.

That discrepancy holds lessons for Western banking regulators looking for ways to prevent catastrophes on the scale of the recent global credit crisis, which began in the property market.

When it comes to regulation, "if you get the property side right, you will protect the financial system to a very large extent," says Leo Goodstadt, a former top policy adviser to the Hong Kong government who lectures at Trinity College, Dublin.

Here are things that Hong Kong does right when it comes to regulating banks'property exposure:

■ **Loan-to-value ratios.** Rules that limit the amount a bank can lend to no more than 70% of a property's assessed value. For homes valued at about $2.6 million or more, the ratio is 60%.

This is the No. 1 factor protecting Hong Kong banks from problems in the property sector. It means home prices have to fall as much as 30% before borrowers are "underwater," when the value of the home falls below the value of the loan, giving banks a substantial cushion. And psychologically, a borrower that already has invested that much money in a property is less likely to walk away from an investment that is underwater.

"That's what's kept the blood off the streets, really, that relatively reduced leverage," says Simon Reid-Kay, a lawyer who heads Allen & Overy's real-estate practice for Asia Pacific.

■ **No nonrecourse lending.** As in many parts of the world, a homeowner who defaults on a mortgage loan in Hong Kong doesn't just risk losing the home; the borrower's bank savings and other assets are fair game, too. By contrast, in much of the U.S. nonrecourse loans—in which the lender's recovery is limited to the collateral, typically the property—prevail, making it easier for a person to walk away from a home.

■ **No (or very little) funny stuff.** In Hong Kong, borrowers can't simply state what their income is, or the value of their assets, without providing documentation.

Banks regularly check this information before they approve a loan. Low- or no-documention loans in the U.S. that allowed people to obtain mortgages without proof of assets or income were one reason that subprime-loan quality went so sour, setting off the credit crisis.

Hong Kong isn't perfect, though. In some cases, property developers have extended loans that "top up" the funds home buyers get from banks, allowing a buyer to borrow as much as 90% of a home's value, but the practice is limited.

■ **Willingness to target bubbles.** While former Federal Reserve Chairman Alan Greenspan argued that it wasn't the Fed's job to predict asset bubbles, Hong Kong central bankers don't hold such ideological qualms.

When property prices heat up, they change the rules: restricting loan-to-value ratios or raising the tax on sales as they recently did with more expensive properties.

In Hong Kong, officials come under attack for not doing enough to target bubbles and make home prices more affordable. The current environment is no exception. And it is clear that Hong Kong's efforts actually haven't prevented bubbles from occurring, but that is a tall order in an economy where the value of the local currency is tied to the U.S. dollar. When U.S. interest rates are low, Hong Kong's are also, even when the local economy is expanding or inflation is on the rise.

Under those circumstances, says Mr. Goodstadt, "the best thing is to make sure if there is a bubble, the only people that get hurt are the speculators, not the banking system."

Temasek sales herald more Singapore issues

By Ditas Lopez And P.R. Venkat

SINGAPORE—Recent bond sales here by **Temasek Holdings** Pte. Ltd. have stoked interest in the island state's local-currency debt market and could presage brisk issuance this year.

The two offerings, which netted the Singapore state-owned investment company two billion Singapore dollars (US$1.42 billion), set a benchmark for local firms that may be considering their own deals and highlighted the low cost of funding available to some issuers in this market.

BOND MARKETS

Bankers say more Singaporean and foreign companies are sniffing around for opportunities. Investors, loaded with cash but lacking a deep pool of Singapore-dollar bonds to choose from, are keen for more options to put their money to work.

"We continue to see a lot of inquiries from potential issuers and reverse inquiries from potential investors," said Kenneth Yeoh, a director of debt capital market at Standard Chartered Bank in Singapore.

The Singapore dollar bond market was a popular destination for local and foreign issuers before the global financial crisis dented activity. So far this year, S$2.693 billion worth of bonds have been sold, compared to S$6.208 billion in all of 2009, according to data provider Dealogic. In 2008, issuance totaled S$9.464 billion.

Triple-A-rated Temasek last week raised S$1 billion from the sale of 15- and 25-year bonds, priced at 0.50 percentage point and 0.65 percentage point over the Singapore swap offer rate, respectively. Two weeks earlier, it raised S$1 billion from the sale of 10-year bonds, priced at 0.40 percentage point over SOR. That translates to around 0.60 percentage point over the London interbank offered rate.

Two other issuers tapped the market last week. Media group **Singapore Press Holdings** Ltd. sold S$600 million in five-year bonds, while water management services provider **Hyflux** Ltd. priced S$75 million in five-year paper.

Japanese bonds

Yields on Japanese government bonds edged up Friday as a pickup in industrial production suggested the domestic economy may continue to recover, damping demand for safe-haven assets.

But moves may be limited, dealers said. Despite robust output gains, Japan's core consumer price index fell for the 11th straight month, the government said earlier in the day. That underlines the view that the Bank of Japan will maintain its very accommodative policy stance to fight deflation.

The benchmark 10-year yield edged up 0.005 percentage point to 1.30%.

—Tomoyuki Tachikawa in Tokyo contributed to this article.

Deficit news brings a surge for India index

By V. Phani Kumar And Wei-Zhe Tan

HONG KONG—Indian shares climbed to their highest close in more than three weeks on the government proposals to cut the deficit and ease the tax burden on individuals, while Japanese stocks gained on better-than-expected industrial-output data.

Asian markets also were encouraged by a late recovery on Wall Street Thursday, although U.S. benchmarks ended in the red.

ASIAN-PACIFIC STOCKS

"The general tone is reasonable bearing in mind how overseas markets went overnight," said ASB Securities broker Stephen Wright in Wellington.

In Mumbai, the Sensex gained 1.1% to 16429.55, its highest close since Feb. 3, as Finance Minister Pranab Mukherjee said the fiscal-deficit target for the year starting April 1 would be 5.5% of gross domestic product, down from an estimated 6.9% this year. Emphasizing the need to provide tax relief to individuals, he also raised the thresholds for income-tax brackets.

"The market basically wanted a booster and it got that booster from the budget," said Deven Choksey, managing director at K.R. Choksey Shares & Securities in Mumbai. The program will leave more money in the hands of individuals, he said, "and that money will go toward consumption demand."

State Bank of India jumped 3.2%, and private-sector lender **ICICI Bank** added 2.4%.

Hong Kong's Hang Seng Index added 1% to 20608.70, capping a month in which the index gained 2.4%. That was its best monthly showing since October.

Cathay Pacific Airways climbed 2.1% in the wake of news Thursday that it has finalized plans for an air-cargo joint venture with China's national carrier **Air China**.

Japan's Nikkei Stock Average of 225 companies rose 0.2% to 10126.03, as better-than-expected industrial output data helped to soften the blow of a stronger yen.

Car makers were up; **Toyota Motor** rose 1.8% and **Mazda Motor** jumped 4%.

FUND SCORECARD

UK Large-Cap Blend Equity

Funds that are fairly representative of the UK large-cap equity market. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending February 26, 2010

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
5	**MFM Slater Pension**	Marlborough Fund Managers Limited	GBP	United Kingdom	**12.86**	93.28	-2.49	NS
2	**Schroder UK Growth**	Schroder Investment Management Lt	GBP	United Kingdom	**-7.43**	92.16	-17.11	-1.31
1	**Aurora Investment Trust**	Mars Asset Management	GBP	United Kingdom	**-3.70**	91.85	-12.70	-7.20
2	**Lowland Inv Tr**	Henderson Global Investors Ltd.	GBP	United Kingdom	**-4.90**	87.39	-20.16	-2.47
4	**Schroder UK Alpha Plus Acc**	Schroder Unit Trusts (UK)	GBP	United Kingdom	**-5.82**	80.28	-11.66	4.23
1	**Shires Income PLC**	Aberdeen Asset Managers Ltd (London)	GBP	United Kingdom	**-4.96**	79.61	-18.98	-4.69
3	**F&C UK Select Trust**	F&C Fund Management Ltd	GBP	United Kingdom	**-5.50**	76.69	-14.44	-0.94
4	**The Mercantile IT ORD**	JPMorgan Asset Management (UK) Limited	GBP	United Kingdom	**-7.58**	75.28	-14.79	1.70
4	**Temple Bar Inv Tr**	Investec Investment Mngmnt	GBP	United Kingdom	**-7.30**	73.62	-3.25	2.23
2	**Glasgow Income Trust**	Aberdeen Asset Managers Ltd (London)	GBP	United Kingdom	**-5.27**	73.27	-27.29	-6.69

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	02/24	EUR	48.80	-10.7	37.8	-25.7
ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	02/25	USD	10.18	-1.8	45.4	-12.0
Am Eq Blend B	US	EQ	LUX	02/25	USD	9.55	-2.1	44.0	-12.8
Am Growth A	US	EQ	LUX	02/25	USD	30.08	-3.7	43.5	-2.4
Am Growth AX	US	EQ	LUX	02/25	USD	32.50	-3.6	44.3	-1.8
Am Growth B	US	EQ	LUX	02/25	USD	25.25	-3.8	42.0	-3.3
Am Growth C	US	EQ	LUX	02/25	USD	27.20	-3.8	42.9	-2.7
Am Growth I	US	EQ	LUX	02/25	USD	33.38	-3.6	44.6	-1.6
Am Income A	US	BD	LUX	02/25	USD	8.47	0.5	27.9	6.5
Am Income A2	US	BD	LUX	02/25	USD	19.30	1.4	28.6	6.8
Am Income A2	OT	OT	NA	02/25	HKD	149.85	1.4	28.6	6.8
Am Income AT	OT	OT	NA	02/25	HKD	65.84	1.3	28.5	6.8
Am Income AT	US	BD	LUX	02/25	USD	8.48	1.3	28.5	6.8
Am Income B	US	BD	LUX	02/25	USD	8.47	0.5	27.0	5.7
Am Income B2	US	BD	LUX	02/25	USD	16.61	1.2	27.6	6.0
Am Income B2	OT	OT	NA	02/25	HKD	128.96	1.2	27.6	6.0
Am Income BT	OT	OT	NA	02/25	HKD	66.23	0.8	27.2	5.8
Am Income BT	US	BD	LUX	02/25	USD	8.53	0.8	27.2	5.8
Am Income C	US	BD	LUX	02/25	USD	8.47	0.5	27.3	6.0
Am Income C2	US	BD	LUX	02/25	USD	24.72	1.3	28.0	6.3
Am Income I	US	BD	LUX	02/25	USD	8.47	0.5	28.6	7.1
Am Value A	US	EQ	LUX	02/25	USD	8.51	-0.2	35.1	-11.1
Am Value B	US	EQ	LUX	02/25	USD	7.82	-0.4	33.7	-12.0
Am Value C	US	EQ	LUX	02/25	USD	8.51	-0.2	34.7	-11.4
Am Value I	US	EQ	LUX	02/25	USD	9.17	-0.1	36.3	-10.3
Emg Mkts Debt A	GL	BD	LUX	02/25	USD	15.53	-0.2	45.5	7.9
Emg Mkts Debt A2	GL	BD	LUX	02/25	USD	20.27	0.8	46.2	8.3
Emg Mkts Debt AT	GL	BD	LUX	02/25	USD	15.65	0.3	45.6	8.0
Emg Mkts Debt B	GL	BD	LUX	02/25	USD	15.53	-0.2	44.2	6.9
Emg Mkts Debt B2	GL	BD	LUX	02/25	USD	19.50	0.7	44.9	7.2
Emg Mkts Debt BT	GL	BD	LUX	02/25	USD	15.62	0.3	44.2	7.0
Emg Mkts Debt C	GL	BD	LUX	02/25	USD	15.53	-0.2	44.9	7.5
Emg Mkts Debt C2	GL	BD	LUX	02/25	USD	19.91	0.8	45.6	7.8
Emg Mkts Debt I	GL	BD	LUX	02/25	USD	15.53	-0.2	46.1	8.5
Emg Mkts Growth A	GL	EQ	LUX	02/25	USD	32.10	-7.4	77.0	-14.7
Emg Mkts Growth B	GL	EQ	LUX	02/25	USD	27.17	-7.5	75.3	-15.5
Emg Mkts Growth C	GL	EQ	LUX	02/25	USD	27.81	-7.4	76.2	-15.1
Emg Mkts Growth I	GL	EQ	LUX	02/25	USD	35.63	-7.2	78.4	-14.0
Eur Growth A	OT	OT	LUX	02/25	EUR	9.22	-3.1	33.5	-15.2
Eur Growth A	OT	OT	LUX	02/25	EUR	6.81	-3.1	33.5	-15.2
Eur Growth B	OT	OT	LUX	02/25	EUR	6.11	-3.3	32.3	-16.1
Eur Growth B	OT	OT	LUX	02/25	USD	8.27	-3.3	32.3	-16.1
Eur Growth C	EU	EQ	LUX	02/25	EUR	5.15	-3.4	32.7	-15.6
Eur Growth I	OT	OT	LUX	02/25	USD	10.06	-3.1	34.6	-14.5
Eur Growth I	OT	OT	LUX	02/25	EUR	7.43	-3.1	34.6	-14.5
Eur Income A	OT	OT	LUX	02/25	EUR	6.69	1.4	45.3	6.5
Eur Income A	OT	OT	LUX	02/25	USD	9.06	1.4	45.3	6.5
Eur Income A2	OT	OT	LUX	02/25	EUR	13.17	2.3	46.0	6.9
Eur Income A2	OT	OT	LUX	02/25	USD	17.83	2.3	46.0	6.9
Eur Income AT	EU	BD	LUX	02/25	EUR	6.71	2.5	46.2	6.9
Eur Income B	OT	OT	LUX	02/25	EUR	6.69	1.4	44.5	5.9
Eur Income B	OT	OT	LUX	02/25	USD	9.06	1.4	44.5	5.9
Eur Income B2	OT	OT	LUX	02/25	EUR	12.24	2.3	45.0	6.1
Eur Income B2	OT	OT	LUX	02/25	USD	16.57	2.3	45.0	6.1
Eur Income BT	EU	BD	LUX	02/25	EUR	6.71	1.8	44.4	5.9
Eur Income C	OT	OT	LUX	02/25	EUR	6.69	1.4	44.8	6.1
Eur Income C	OT	OT	LUX	02/25	USD	9.06	1.4	44.8	6.1
Eur Income C2	OT	OT	LUX	02/25	EUR	13.12	2.3	45.3	6.4
Eur Income C2	OT	OT	LUX	02/25	USD	17.76	2.3	45.3	6.4
Eur Income I	OT	OT	LUX	02/25	EUR	6.69	1.4	45.9	7.1
Eur Income I	OT	OT	LUX	02/25	USD	9.06	1.4	45.9	7.1
Eur Strat Value A	OT	OT	LUX	02/25	EUR	8.09	-5.2	39.0	-19.6
Eur Strat Value A	OT	OT	LUX	02/25	USD	10.95	-5.2	39.0	-19.6
Eur Strat Value I	OT	OT	LUX	02/25	EUR	8.30	-5.0	40.4	-18.9
Eur Strat Value I	OT	OT	LUX	02/25	USD	11.24	-5.0	40.4	-18.9
Eur Value A	OT	OT	LUX	02/25	EUR	8.71	-5.3	42.6	-16.0
Eur Value A	OT	OT	LUX	02/25	USD	11.79	-5.3	42.6	-16.0
Eur Value B	OT	OT	LUX	02/25	USD	10.83	-5.4	41.1	-16.9
Eur Value B	OT	OT	LUX	02/25	EUR	8.00	-5.4	41.1	-16.9
Eur Value C	OT	OT	LUX	02/25	USD	11.39	-5.4	41.8	-16.5
Eur Value C	OT	OT	LUX	02/25	EUR	8.41	-5.4	41.8	-16.5
Eur Value I	OT	OT	LUX	02/25	USD	13.63	-5.2	43.7	-15.4
Eur Value I	OT	OT	LUX	02/25	EUR	10.07	-5.2	43.7	-15.4
Gl Balanced (Euro) A	OT	OT	LUX	02/25	USD	15.41	-0.8	31.4	-9.3
Gl Balanced (Euro) B	OT	OT	LUX	02/25	USD	14.99	-0.9	30.1	-10.2
Gl Balanced (Euro) C	OT	OT	LUX	02/25	USD	15.29	-0.8	31.1	-9.5
Gl Balanced (Euro) I	OT	OT	LUX	02/25	USD	15.71	-0.7	NS	NS
Gl Balanced A	US	BA	LUX	02/25	USD	16.06	-2.5	35.8	-9.7
Gl Balanced B	US	BA	LUX	02/25	USD	15.25	-2.7	34.5	-10.6
Gl Balanced C	OT	OT	LUX	02/25	USD	15.82	-2.6	35.4	-10.0
Gl Balanced C	OT	OT	LUX	02/25	EUR	11.68	-2.6	35.4	-10.0
Gl Balanced I	US	BA	LUX	02/25	USD	16.68	-2.4	36.8	-9.1
Gl Bond A	US	BD	LUX	02/25	USD	9.37	1.4	16.8	5.2
Gl Bond A2	US	BD	LUX	02/25	USD	16.33	2.0	17.1	5.3
Gl Bond A2	OT	OT	NA	02/25	HKD	126.79	2.0	17.1	5.3
Gl Bond AT	OT	OT	LUX	02/25	HKD	72.83	1.7	16.8	5.2
Gl Bond AT	US	BD	LUX	02/25	USD	9.38	1.7	16.8	5.2
Gl Bond B	US	BD	LUX	02/25	USD	9.37	1.4	15.7	4.2
Gl Bond B2	US	BD	LUX	02/25	USD	14.28	1.9	16.0	4.3
Gl Bond B2	OT	OT	NA	02/25	HKD	110.87	1.9	16.0	4.3
Gl Bond BT	OT	OT	LUX	02/25	HKD	73.06	1.6	15.7	4.2
Gl Bond BT	US	BD	LUX	02/25	USD	9.41	1.6	15.7	4.2
Gl Bond C	US	BD	LUX	02/25	USD	9.37	1.4	16.3	4.7
Gl Bond C2	US	BD	LUX	02/25	USD	14.16	1.9	16.6	4.9
Gl Bond I	US	BD	LUX	02/25	USD	9.37	1.4	17.3	5.8
Gl Conservative A	US	BA	LUX	02/25	USD	14.78	-0.6	22.7	-3.3
Gl Conservative A2	US	BA	LUX	02/25	USD	16.83	-0.6	22.7	-3.3
Gl Conservative B	US	BA	LUX	02/25	USD	14.75	-0.7	21.5	-4.3
Gl Conservative B2	US	BA	LUX	02/25	USD	15.96	-0.8	21.4	-4.3
Gl Conservative C	US	BA	LUX	02/25	USD	14.76	-0.7	22.1	-3.7
Gl Conservative C2	US	BA	LUX	02/25	USD	16.45	-0.7	22.1	-3.7
Gl Conservative I	US	BA	LUX	02/25	USD	14.87	-0.5	23.7	-2.5
Gl Eq Blend A	GL	EQ	LUX	02/25	USD	11.02	-5.5	48.5	-20.0
Gl Eq Blend B	GL	EQ	LUX	02/25	USD	10.32	-5.8	46.8	-20.9
Gl Eq Blend C	GL	EQ	LUX	02/25	USD	10.81	-5.7	47.7	-20.4
Gl Eq Blend I	GL	EQ	LUX	02/25	USD	11.63	-5.4	49.5	-19.4
Gl Growth A	GL	EQ	LUX	02/25	USD	39.90	-4.8	43.2	-20.4
Gl Growth B	GL	EQ	LUX	02/25	USD	33.26	-4.9	41.8	-21.2
Gl Growth C	GL	EQ	LUX	02/25	USD	38.26	-4.8	42.5	-20.8
Gl Growth I	GL	EQ	LUX	02/25	USD	44.36	-4.7	44.4	-19.8
Gl High Yield A	US	BD	LUX	02/25	USD	4.34	0.2	61.1	6.1
Gl High Yield A2	US	BD	LUX	02/25	USD	9.40	1.5	62.1	6.4
Gl High Yield A2	OT	OT	NA	02/25	HKD	72.98	1.5	62.1	6.4
Gl High Yield AT	OT	OT	NA	02/25	HKD	33.54	1.6	61.9	6.4
Gl High Yield AT	US	BD	LUX	02/25	USD	4.32	1.6	61.9	6.4
Gl High Yield B	US	BD	LUX	02/25	USD	4.34	0.2	59.2	4.9
Gl High Yield B2	US	BD	LUX	02/25	USD	15.09	1.4	60.5	5.4
Gl High Yield B2	OT	OT	NA	02/25	HKD	117.16	1.4	60.5	5.4
Gl High Yield BT	OT	OT	NA	02/25	HKD	34.08	0.7	59.4	5.1
Gl High Yield BT	US	BD	LUX	02/25	USD	4.39	0.7	59.4	5.1
Gl High Yield C	US	BD	LUX	02/25	USD	4.34	0.2	60.3	5.6
Gl High Yield C2	US	BD	LUX	02/25	USD	13.93	1.5	61.4	6.0
Gl High Yield I	US	BD	LUX	02/25	USD	4.34	0.2	62.1	6.8
Gl Thematic Res. A	OT	OT	LUX	02/25	USD	14.09	-4.3	76.3	-3.2
Gl Thematic Res. B	OT	OT	LUX	02/25	USD	12.31	-4.5	74.6	-4.2
Gl Thematic Res. I	OT	OT	LUX	02/25	USD	15.73	-4.3	77.7	-2.4
Gl Value A	GL	EQ	LUX	02/25	USD	10.44	-6.3	54.0	-19.7
Gl Value B	GL	EQ	LUX	02/25	USD	9.58	-6.4	52.5	-20.5
Gl Value C	GL	EQ	LUX	02/25	USD	10.14	-6.4	53.2	-20.1
Gl Value I	GL	EQ	LUX	02/25	USD	11.12	-6.2	55.1	-19.1
Greater China A	AS	EQ	LUX	02/25	USD	37.06	-7.4	54.8	-13.2
Greater China B	AS	EQ	LUX	02/25	USD	32.75	-7.5	53.3	-14.0
Greater China C	AS	EQ	LUX	02/25	USD	36.57	-7.5	54.1	-13.6
India Growth A	OT	OT	LUX	02/25	USD	121.22	-4.5	NS	NS
India Growth AX	OT	OT	LUX	02/25	USD	106.00	-4.5	94.9	-5.0
India Growth B	OT	OT	LUX	02/25	USD	126.79	-4.6	NS	NS
India Growth BX	OT	OT	LUX	02/25	USD	90.47	-4.6	92.9	-6.0
India Growth I	EA	EQ	LUX	02/25	USD	109.94	-4.4	95.8	-4.7
Int'l Health Care A	OT	EQ	LUX	02/25	USD	138.28	0.6	24.2	-6.1
Int'l Health Care B	OT	EQ	LUX	02/25	USD	116.46	0.4	22.9	-7.1
Int'l Health Care C	OT	EQ	LUX	02/25	USD	132.43	0.5	23.6	-6.6
Int'l Health Care I	OT	EQ	LUX	02/25	USD	151.27	0.7	25.2	-5.4
Int'l Technology A	OT	EQ	LUX	02/25	USD	104.97	-4.9	58.2	-6.3
Int'l Technology B	OT	EQ	LUX	02/25	USD	90.82	-5.0	56.6	-7.2
Int'l Technology C	OT	EQ	LUX	02/25	USD	101.37	-5.0	57.5	-6.7
Int'l Technology I	OT	EQ	LUX	02/25	USD	117.84	-4.8	59.5	-5.5
Japan Eq Blend A	JP	EQ	LUX	02/25	JPY	5842.00	-3.0	29.1	-20.6
Japan Eq Blend B	JP	EQ	LUX	02/25	JPY	5628.00	-3.2	27.8	-21.4
Japan Eq Blend C	JP	EQ	LUX	02/25	JPY	5744.00	-3.1	28.5	-21.0
Japan Growth A	JP	EQ	LUX	02/25	JPY	5560.00	-5.3	17.3	-21.8
Japan Growth B	JP	EQ	LUX	02/25	JPY	5357.00	-5.5	16.1	-22.6
Japan Growth C	JP	EQ	LUX	02/25	JPY	5468.00	-5.4	16.8	-22.2
Japan Strat Value A	JP	EQ	LUX	02/25	JPY	6093.00	-0.4	41.4	-19.7
Japan Strat Value B	JP	EQ	LUX	02/25	JPY	5876.00	-0.6	40.0	-20.5
Japan Strat Value C	JP	EQ	LUX	02/25	JPY	5986.00	-0.5	40.7	-20.1
Real Estate Sec. A	OT	EQ	LUX	02/25	USD	13.85	-3.5	73.8	-14.1
Real Estate Sec. B	OT	EQ	LUX	02/25	USD	12.64	-3.7	72.0	-15.0
Real Estate Sec. I	OT	EQ	LUX	02/25	USD	14.90	-3.4	75.1	-13.4
Short Mat Dollar A	US	BD	LUX	02/25	USD	7.27	0.0	14.3	-4.3
Short Mat Dollar A2	US	BD	LUX	02/25	USD	9.85	0.6	14.7	-4.2
Short Mat Dollar AT	US	BD	LUX	02/25	USD	7.28	0.4	14.5	-4.3
Short Mat Dollar B	US	BD	LUX	02/25	USD	7.27	0.0	13.9	-4.7
Short Mat Dollar B2	US	BD	LUX	02/25	USD	9.79	0.5	14.1	-4.7
Short Mat Dollar BT	OT	OT	LUX	02/25	USD	7.29	0.3	NS	-5.0
Short Mat Dollar C	US	BD	LUX	02/25	USD	7.27	0.0	13.9	-4.7
Short Mat Dollar C2	US	BD	LUX	02/25	USD	13.85	0.6	14.2	-4.6
Short Mat Dollar I	US	BD	LUX	02/25	USD	7.27	0.0	14.9	-3.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	01/29	USD	1778.08	5.1	80.4	NS
CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	02/24	USD	100.96	1.0	22.7	19.7
PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	12/31	USD	97.22	15.7	15.7	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	12/31	USD	116.00	12.9	12.9	-29.1
Platinm-Emancipation	OT	OT	USA	12/31	USD	93.12	24.4	24.4	-8.6
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	12/31	USD	62.80	37.2	37.2	-26.9
Platinm-Nordic	OT	OT	CYM	12/31	SEK	617.36	13.2	13.2	-16.2
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	12/31	USD	60.07	NS	NS	-29.4
SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	02/23	USD	33.86	-17.0	-61.4	-18.7
Superfund GCT USD*	GL	EQ	LUX	02/23	USD	1889.00	-13.9	-49.8	-14.0
Superfund Green Gold A (SPC)	OT	OT	CYM	02/23	USD	874.86	-9.3	-32.8	-5.7
Superfund Green Gold B (SPC)	OT	OT	CYM	02/23	USD	802.57	-14.2	-47.6	-13.2
Superfund Q-AG*	OT	OT	AUT	02/23	EUR	6013.00	-9.2	-32.4	-5.4
WINTON CAPITAL MANAGEMENT LTD									
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Winton Evolution EUR Cls H	OT	OT	CYM	01/29	EUR	920.68	-2.6	-8.8	NS
Winton Evolution GBP Cls G	OT	OT	CYM	01/29	GBP	926.96	-2.3	-8.0	NS
Winton Evolution USD Cls F	OT	OT	CYM	01/29	USD	1169.48	-2.5	-8.6	0.7
Winton Futures EUR Cls C	OT	OT	VGB	01/29	EUR	191.46	-2.7	-8.1	4.3
Winton Futures GBP Cls D	OT	OT	VGB	01/29	GBP	207.19	-2.7	-7.6	5.2
Winton Futures JPY Cls E	OT	OT	VGB	01/29	JPY	13526.58	-2.6	-9.3	2.0
Winton Futures USD Cls B	OT	OT	VGB	01/29	USD	680.91	-2.6	-8.1	4.0
ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	02/25	EUR	49.31	-5.5	51.8	-8.1
Industria AE	EU	EQ	DEU	02/25	EUR	71.09	-0.6	41.5	-12.8
InternRent AE	EU	BD	DEU	02/25	EUR	37.74	7.2	6.6	12.0
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Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	02/19	USD	285882.54	4.1	115.1	10.7

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Dollar is pushed, pulled

As market awaits Greek news, weak data could hurt U.S. currency

By Fabio Alves

The dollar will be caught this week in a tug of war between heavyweight economic data from the U.S. and developments in cash-strapped Greece.

Greece, which could sell a new bond, has become a key gauge for investors' appetite for risk. Last week, warnings from ratings firms over the Greek government's ability to enforce sharp budget cuts sent the euro to its lowest level against the dollar since May.

CURRENCY MARKETS

The euro, however, recovered as weaker-than-expected U.S. data reminded investors that key rates will remain near zero for a while, reducing the attraction of holding dollars. This week's data could reinforce that message, even if a lot of the weakness reflects the winter storms.

All this makes for volatile trade, particularly as short-term traders have built up large bets against the euro. Last week alone, the euro swung between $1.3451 and $1.3693.

"The dominant tone [in the markets] is one of extreme nervousness," said Alan Ruskin, global head of foreign-exchange strategy at RBS Securities in Stamford, Conn. There will be a lot of back-and-forth trading, he said, but until there is decisive news on Greece, there won't be a clear direction.

Late Friday in New York, the euro was at $1.3617. The common currency has fallen roughly 5% against the dollar since the start of the year. The ICE Dollar Index, which tracks the greenback against a trade-weighted basket of currencies, was at 80.487, up 3% this year.

Greece is planning to sell a 10-year bond, hoping to raise from €3 billion to €5 billion. It is also set to unveil austerity measures to cut its budget deficit, which last year hit 12.7% of gross domestic product.

Germany, the euro zone's largest economy, may yet step into the breach to assist Greece. On Friday, a German lawmaker said the government is discussing the possibility of arranging an emergency credit for Greece under the auspices of public-sector lender KfW—though no decision had been taken yet.

Amid heavy bets on euro declines, reminders that the Fed won't raise rates soon could cause a reversal.

"The planned Greek issuance will be an interesting litmus test," said Jane Foley, a research director at Forex.com in London. "Like the previous sale it may go better than expected and bring some comfort," she said, but to attract investors, the yield will have to be quite high. That in turn will add to the pressure on Greece's budget.

Greek 10-year bonds were yielding around 6.5% Friday.

Investors will also get a lot to chew over on the U.S. economy: from national data on the manufacturing and services sectors in February to the all-important nonfarm payrolls report. With the market heavily betting on further euro declines, reminders that the Federal Reserve won't raise rates soon could lead to a sharp reversal.

"We expect the U.S. data to remain mixed, like as of late, placing some question marks over the exit strategies of the Fed," said Derek Halpenny, European head of currency strategy at Bank of Tokyo-Mitshubishi UJF Ltd. in London.

Severe weather on the East Coast could depress the reports, particularly payrolls data for February. "The market has yet to take aboard the impact [of the weather] on [this] week's U.S. jobs report," said Marc Chandler, global head of currency strategy at Brown Brothers Harriman in New York. "Even if it is weather-induced ... market positioning is such that there would be risk of a dollar setback."

Sterling will also remain in the spotlight, after dropping to nine-month lows last week against the dollar, undermined by concerns over the economic outlook and the possibility that the U.K. general elections this spring could lead to parliamentary gridlock. Friday, sterling was at $1.5241. It has lost 5.6% since the start of the year.

Treasury investors ask: How low can yields go?

By Michael Casey

The Treasurys market starts the week with some significant gains in its pocket. But whether a potentially lackluster jobs report and flows into ultrasafe Treasurys caused by more turmoil in Greece can take the rally further isn't clear, given how far yields have dropped.

Disappointing housing data, reassuring words on interest rates from Federal Reserve Chairman Ben Bernanke, and the debt crisis in Greece combined to give Treasurys a lift over the past week, even as the market grappled with a stream of new issuance.

U.S. CREDIT MARKETS

Those price gains saw yields on the 10-year Treasury drop 0.20 percentage point, while two-year yields were down 0.11 point on the week. On Friday, the 10-year yield was at 3.595% and the two-year yield at 0.804%.

This year, low-risk Treasurys have returned 1.71% as of Thursday, beating the 1.21% return on high-yielding corporate debt and the 1.34% return on mortgage-backed debt—indicating the fragility of the economic mood.

"Bernanke said we aren't raising rates from exceptionally low levels for now, Greece concerns are lurking in the background, U.S. economic data are weak from the winter storms, so this rally may have some staying power, said Chris Rupkey, senior financial economist at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York. Bond yields fall when prices rise. Mr. Rupkey said he sees the 10-year yield falling to 3.50% this week.

But others say the low yields pose stiff resistance to further price gains and may even prompt some profit-taking early in the week.

Eric Lascelles, chief economist and rates strategist at TD Securities, said 10-year yields could at best drop 0.03 to 0.05 percentage point. "But it's far more likely that the market starts pushing in the other direction," he added.

Investors will closely watch Friday's February jobs report, expected to show a drop of 75,000 jobs, compared with a 20,000 loss in January, with the unemployment rate rising to 9.8% from January's 9.7%.

Although this would mark a reversal in what has generally been a declining rate of monthly job losses over recent months—reminding investors that a solid employment recovery is still many months away—the February reading is already being seen as an outlier due to weather-related distortions.

According to John Canavan, market strategist at Ward McCarthy, the weather factor could encourage some investors to pare their positions ahead of the jobs report as it makes the prospect of a data surprise in either direction more likely.

Mr. Canavan added that Treasury prices might also come under pressure from dealers selling some of the five-year bonds left from the relatively poor auction last week.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	02/19	USD	1293.95	4.1	26.1	-5.9
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	02/22	JPY	13876.22	-10.7	54.2	-0.2
GAM Asia Equity Hedge US	OT	OT	VGB	02/22	USD	259.33	-10.7	58.9	1.1
GAM Asia Equity USD	OT	OT	VGB	02/25	USD	604.07	-7.6	68.4	-11.3
GAM Asia-Pacific Eq USD	OT	OT	VGB	02/23	USD	1286.20	0.3	37.4	-12.3
GAM Com Glb Bal EUR Op	US	BA	VGB	02/22	EUR	96.39	-0.5	18.8	-7.0
GAM Com Glb Bal USD Op	US	BA	VGB	02/22	USD	127.14	-0.5	18.8	-7.0
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	02/22	EUR	98.79	-1.8	28.7	-12.4
GAM Comp Glb Eq USD Op	GL	EQ	VGB	02/22	USD	125.19	-1.8	28.7	-12.4
GAM Comp Glb Gr EUR Op	US	BA	VGB	02/22	EUR	87.36	-1.5	20.4	-10.4
GAM Comp Glb Gr USD Op	US	BA	VGB	02/22	USD	125.19	-1.5	20.4	-10.4
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	02/19	USD	244.55	-1.6	39.9	-7.6
GAM Cross Trading Inc	OT	OT	VGB	02/22	USD	462.50	-0.7	4.2	NS
GAM Diversity CHF Op	OT	OT	VGB	02/22	CHF	94.15	-0.2	3.5	-6.2
GAM Diversity EUR Op	OT	OT	VGB	02/22	EUR	648.05	-0.1	4.2	-4.7
GAM Diversity USD 2.5XL	OT	OT	VGB	02/15	USD	77.37	-1.2	7.5	-18.1
GAM Diversity USD Op	OT	OT	VGB	02/22	USD	680.55	-0.1	4.3	-5.2
GAM Dvrsty II CHF Op	OT	OT	VGB	02/22	CHF	99.34	-0.2	2.9	-5.8
GAM Dvrsty II EUR Op	OT	OT	VGB	02/22	EUR	138.66	-0.1	3.3	-4.8
GAM Dvrsty II USD Op	OT	OT	VGB	02/22	USD	210.00	-0.1	3.6	-5.1
GAM DvrstyIII EUR Op	OT	OT	VGB	02/15	EUR	115.07	-0.4	3.1	-4.9
GAM DvrstyIII USD Op	OT	OT	VGB	02/15	USD	121.52	-0.4	3.4	-5.0
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	02/22	EUR	219.31	0.2	14.1	-2.5
GAM Euro Eq Hdg USD Op	OT	OT	VGB	02/22	USD	203.55	0.1	12.2	-1.0
GAM European Equity USD	OT	OT	VGB	02/24	USD	270.05	-7.9	40.7	-12.5
GAM GAMCO	OT	EQ	VGB	02/23	USD	803.78	-0.8	55.1	-8.3
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	02/22	EUR	97.26	-0.6	11.7	-15.8
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	02/22	USD	102.72	-0.4	12.4	-15.0
GAM Gbl Divers USD Inc.	GL	EQ	VGB	02/22	USD	249.73	0.0	36.1	-5.0
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	02/22	USD	255.01	-11.1	84.1	18.8
GAM Intrst Trend II	GL	BD	VGB	02/22	USD	104.27	10.8	71.8	-2.8
GAM Intrst Trend Inc	OT	OT	VGB	02/22	USD	277.96	10.5	86.5	-1.2
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	02/22	EUR	122.73	5.2	16.1	-1.2
GAM Japan Eq Hdg USD Op	OT	OT	VGB	02/22	USD	126.17	3.4	20.1	-14.8
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	02/22	JPY	8688.67	3.4	27.1	-13.7
GAM Japan USD	JP	EQ	VGB	02/25	USD	1119.73	1.5	35.3	-13.3
GAM Japan YEN	JP	EQ	VGB	02/25	JPY	8810.83	-0.2	30.3	-19.5
GAM Money Mkt EuroOp	EU	MM	VGB	02/24	EUR	51.16	0.1	0.2	1.4
GAM Money Mkt USD	US	MM	VGB	02/24	USD	100.02	0.1	0.0	0.6
GAM Multi-Arb EUR Op	OT	OT	VGB	02/22	EUR	112.58	1.2	1.2	-8.1
GAM Multi-Arb USD Op	OT	OT	VGB	02/15	USD	117.26	1.0	1.2	-8.6
GAM Multi-China EUR Op	OT	OT	VGB	02/15	EUR	160.39	-4.5	6.9	-6.1
GAM Multi-China USD Op	OT	OT	VGB	02/15	USD	169.03	-4.3	7.8	-6.7
GAM Multi-Emer Mkts GBP	OT	OT	VGB	02/15	GBP	128.79	-2.1	22.9	-0.6
GAM Multi-Emer Mkts USD	OT	OT	VGB	02/22	USD	639.96	-1.7	23.2	-1.6
GAM Multi-Eur EUR Op	OT	OT	VGB	02/15	EUR	264.04	-1.8	3.8	-7.2
GAM Multi-Eur II EUR Op	OT	OT	VGB	02/22	EUR	137.19	-0.8	4.8	-7.3
GAM Multi-Eur II USD Op	OT	OT	VGB	02/22	USD	112.21	-0.8	4.8	-8.3
GAM Multi-Eur USD Op	OT	OT	VGB	02/15	USD	459.59	-1.7	3.7	-8.1
GAM Multi-Nth Am EUR Special	OT	OT	VGB	02/22	EUR	133.91	-0.1	9.0	-1.7
GAM Multi-Nth Am USD Special	OT	OT	VGB	02/22	USD	217.86	-0.1	9.2	-1.9
GAM Multi-Pac EUR Op	GL	EQ	VGB	02/15	EUR	139.69	-2.6	1.4	-3.1
GAM Multi-Pac USD Op	OT	OT	VGB	02/22	USD	161.39	-2.4	1.8	-3.8
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	02/19	USD	2688.21	1.9	68.0	11.9
GAM Sing/Malaysia	AS	EQ	VGB	02/25	USD	2407.01	-4.7	62.2	-8.9
GAM Sterling Spe Bd Inc	OT	OT	VGB	02/22	GBP	237.78	3.4	47.5	6.4
GAM Trading EUR Inc	OT	OT	VGB	02/22	EUR	322.62	-0.8	3.7	4.0
GAM Trading USD Inc	OT	OT	VGB	02/22	USD	966.09	-0.7	4.2	3.4
GAM Trdg II IncEUR Op	OT	OT	VGB	02/22	EUR	138.02	-0.7	3.6	3.9
GAM Trdg II IncUSD Op	OT	OT	VGB	02/22	USD	313.69	-0.7	4.2	3.4
GAM Trdg IV IncEUR Op	OT	OT	VGB	02/22	EUR	145.61	-0.8	3.5	3.7
GAM Trdg IV IncUSD Op	OT	OT	VGB	02/22	USD	153.36	-0.8	4.0	3.2
GAM Trdg V IncEUR Op	OT	OT	VGB	02/15	EUR	123.43	-0.8	3.8	3.8
GAM Trdg V IncUSD Op	OT	OT	VGB	02/15	USD	128.66	-0.7	4.3	3.4
GAM TrdgIII IncEUR Op	OT	OT	VGB	02/22	EUR	155.69	-0.8	3.6	3.6
GAM TrdgIII IncUSD Op	OT	OT	VGB	02/22	USD	161.31	-0.7	4.0	3.2
GAM USDSpecBondInc	US	BD	VGB	02/22	USD	558.30	5.3	89.2	10.2
GAM Worldwide	GL	EQ	VGB	02/24	USD	2100.74	-5.6	43.5	-9.7
GAMut Investments	OT	OT	VGB	02/17	USD	7645.54	0.9	2.2	7.0

■ GAM Star Fund Plc

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	02/24	CHF	10.74	-2.7	56.3	-10.8
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	02/24	EUR	11.76	-1.3	62.0	-5.6
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	02/24	GBP	1.53	-2.1	60.5	1.9
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	02/24	USD	12.51	-6.8	70.8	-9.6
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	02/24	EUR	104.26	3.1	37.9	-7.8
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	02/24	EUR	100.89	3.1	37.9	-7.8
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	02/25	EUR	10.52	-4.3	35.1	-7.5
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	02/24	EUR	178.85	-2.3	35.6	-8.5
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	02/24	EUR	163.42	-2.3	35.6	-8.5
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	02/24	USD	14.76	-7.7	42.8	-12.3
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	02/24	USD	13.39	-7.7	42.7	-12.3
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	02/24	USD	5.54	1.0	45.6	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	02/24	EUR	92.13	4.7	34.2	-6.8
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	02/24	EUR	92.13	4.7	34.2	-6.8
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	02/24	JPY	924.74	0.4	34.2	-17.7
GAMStar-JpnEq USD Acc	JP	EQ	IRL	02/24	USD	11.30	1.7	37.7	-12.2
GAMStar-World EqUSD Acc	GL	EQ	IRL	02/25	USD	2089.06	-6.6	43.8	-10.5

LIST YOUR FUNDS

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■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
American Growth	US	EQ	LUX	02/26	USD	14.96	-2.1	40.8	-10.7
American Growth AA	US	EQ	LUX	02/26	USD	0.86	-2.1	40.5	-7.2
Asian Equity	AS	EQ	LUX	02/26	USD	2.29	-6.6	72.1	-9.8
Asian Equity AA	AS	EQ	LUX	02/26	USD	0.74	-6.6	71.5	-10.1
Asian Sm Cap Equity AA	AS	EQ	LUX	02/26	USD	1.13	-2.5	103.4	-1.8
China Value A	AS	EQ	LUX	02/26	USD	6.56	-7.7	62.6	-5.4
China Value AA	AS	EQ	LUX	02/26	USD	2.06	-7.8	62.2	-5.7
Dragon Growth	AS	EQ	LUX	02/26	USD	1.54	-6.5	64.1	-7.0
Dragon Growth AA	OT	OT	LUX	02/26	HKD	7.47	-6.5	63.8	-7.9
Emg Eastrn Europe A	EU	EQ	LUX	02/26	USD	4.37	-5.3	122.8	-17.6
Emg Eastrn Europe AA	EU	EQ	LUX	02/26	USD	1.88	-5.3	122.4	-17.7
European Growth	EU	EQ	LUX	02/26	USD	8.39	-8.3	58.5	-18.1
European Growth AA	EU	EQ	LUX	02/26	USD	0.60	-8.4	58.1	-18.3
Global Contrarain AA	GL	EQ	LUX	02/26	USD	0.91	2.9	118.9	NS
Global Property AA	OT	EQ	LUX	02/26	USD	0.66	-2.6	83.2	-13.2
Global Resources AA	OT	EQ	LUX	02/26	USD	1.02	-5.5	53.7	-16.9
Healthcare AA	OT	EQ	LUX	02/26	USD	0.94	0.0	21.6	NS
India Equity AA	EA	EQ	LUX	02/26	USD	1.03	-6.0	86.4	-14.0
International Growth	GL	EQ	LUX	02/26	USD	2.94	-3.4	37.7	-14.8
International Growth AA	GL	EQ	LUX	02/26	USD	0.68	-3.5	37.3	-15.0
Japanese Growth	JP	EQ	LUX	02/26	USD	2.76	0.1	35.3	-11.3
Japanese Growth AA	JP	EQ	LUX	02/26	USD	0.73	0.8	35.9	-11.2
Latin America Equity AA	GL	EQ	LUX	02/26	USD	1.20	-6.6	104.6	-8.8
Manulife GF Strategic Income Fund AA	OT	OT	NA	02/26	USD	1.02	1.4	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	02/26	USD	1.11	-2.3	NS	NS
Russia Equity AA	EE	EQ	LUX	02/26	USD	0.64	3.8	149.1	-21.0
Taiwan Equity AA	AS	EQ	LUX	02/25	USD	0.97	-10.6	79.2	-4.8
Turkey Equity AA	EE	EQ	LUX	02/26	USD	0.71	-7.6	133.9	-8.2
U.S. Bond AA	US	BD	LUX	02/26	USD	1.13	2.0	19.6	8.7
U.S. Sm Cap Equity AA	US	EQ	LUX	02/26	USD	0.87	6.0	91.1	-7.6
U.S. Special Opportunities	OT	OT	LUX	02/26	USD	0.87	7.4	107.6	6.9
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	02/26	USD	1.14	0.0	9.4	1.9

■ PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	02/17	USD	130.72	2.6	136.6	-0.2

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	02/25	USD	7.74	-3.5	98.5	-4.3

SOCIETE GENERALE
Asset Management

■ SG ASSET MANAGEMENT (HK) LTD
Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bonds Eur Hi Yld A	OT	OT	LUX	02/24	EUR	21.15	2.7	54.2	5.2
Bonds EURO A	OT	OT	LUX	02/24	EUR	41.56	1.3	5.0	5.0
Bonds EUROPE A	OT	OT	LUX	02/24	EUR	39.57	1.2	3.4	4.5
Bonds US OppsCoreplus A	OT	OT	LUX	02/24	USD	37.32	1.1	15.5	8.4
Bonds World A	OT	OT	LUX	02/25	USD	41.61	-0.9	12.0	4.3
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	02/25	USD	9.65	-7.4	71.7	-10.4
Eq. China A	AS	EQ	LUX	02/25	USD	21.61	-10.5	57.7	-11.0
Eq. Concentrated Euroland A	OT	OT	LUX	02/25	EUR	86.18	-7.3	30.7	-17.1
Eq. ConcentratedEuropeA	EU	EQ	LUX	02/24	EUR	25.96	-3.9	43.6	-14.3
Eq. Emerging Europe A	OT	OT	LUX	02/24	EUR	23.81	1.1	108.3	-21.9
Eq. Euroland A	EU	EQ	LUX	02/25	EUR	10.04	-7.3	33.6	-17.7
Eq. Euroland Small Cap A	OT	OT	LUX	02/25	EUR	136.79	-3.1	45.4	-9.5
Eq. EurolandCyclclsA	EU	EQ	LUX	02/25	EUR	17.18	-3.5	40.1	-13.0
Eq. EurolandFinancialA	OT	EQ	LUX	02/24	EUR	10.12	-10.6	71.1	-19.2
Eq. Glbl Emg Cty A	GL	EQ	LUX	02/25	USD	8.64	-10.8	63.9	-17.6
Eq. Global A	GL	EQ	LUX	02/24	USD	27.07	-2.8	50.2	-10.9
Eq. Global Energy A	OT	EQ	LUX	02/24	USD	17.21	-5.1	34.9	-15.6
Eq. Global Resources A	OT	OT	LUX	02/24	USD	101.93	-6.7	54.3	-15.5
Eq. Gold Mines A	OT	EQ	LUX	02/24	USD	27.71	-8.5	33.4	-8.6
Eq. India A	OT	OT	LUX	02/25	USD	121.00	-7.5	81.1	-14.1
Eq. Japan CoreAlpha A	OT	OT	LUX	02/25	JPY	7377.34	1.7	39.1	-9.2
Eq. Latin America A	OT	OT	LUX	02/24	USD	107.62	-7.4	84.7	-13.7
Eq. US Lg Cap Gr A	US	EQ	LUX	02/25	USD	14.80	-3.0	42.8	-10.8
Eq. US Rel Val A	US	EQ	LUX	02/24	USD	20.38	-1.1	53.2	-12.2
Eq. US Sm Cap Val A	US	EQ	LUX	02/24	USD	15.96	0.0	47.3	-14.8
Money Market EURO A	EU	MM	LUX	02/24	EUR	27.41	0.0	0.7	2.4
Money Market USD A	US	MM	LUX	02/24	USD	15.83	0.0	0.3	1.4

The National Investor

■ THE NATIONAL INVESTOR
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TNI Mena Real Estate Fund	OT	OT	BMU	02/18	USD	909.36	-5.4	5.1	-29.8
TNI MENA Special Sits Fund	OT	OT	BMU	01/31	USD	1091.50	1.1	13.6	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	02/18	AED	4.89	-8.3	17.1	-35.5

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Intel-Chin MainInd Foc	AS	EQ	CYM	02/17	USD	28.46	-4.6	75.0	6.0
Intel-China Converg*	AS	EQ	CYM	02/17	USD	108.68	-4.7	75.0	4.0
VP Classic - A	AS	EQ	CYM	02/25	USD	177.98	-4.6	80.7	0.5
VP Classic - B	AS	EQ	CYM	02/25	USD	82.89	-4.6	79.8	0.0
VP High Dividend Stk	AS	EQ	CYM	02/22	USD	44.80	-1.4	79.3	4.0

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■ YMR-N Series									
YMR-N Growth Fund	OT	OT	IRL	02/26	JPY	8940.00	-5.5	24.5	-20.6
YMR-N Small Cap Fund	OT	OT	IRL	02/26	JPY	6520.00	-7.0	20.5	-20.9
■ Yuki 77 Series									
Yuki 77 General	JP	EQ	IRL	02/26	JPY	5716.00	-7.1	13.8	-24.8
Yuki 77 Growth	JP	EQ	IRL	02/26	JPY	5230.00	-7.3	8.2	-28.1
■ Yuki Chugoku Series									
Yuki Chugoku Jpn Gen	JP	EQ	IRL	02/26	JPY	6517.00	-4.5	21.8	-20.4
Yuki Chugoku JpnLowP	JP	EQ	IRL	02/26	JPY	7569.00	0.4	15.4	-17.7
■ Yuki Hokuyo Japan Series									
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	02/26	JPY	4478.00	-4.2	16.8	-24.2
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	02/26	JPY	5117.00	-2.5	18.1	-19.3
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	02/26	JPY	4714.00	-7.7	18.2	-20.9
■ Yuki Mizuho Series									
Yuki Mizuho Gen Jpn III	OT	OT	IRL	02/26	JPY	4122.00	-6.7	16.1	-28.3
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	02/26	JPY	4367.00	-6.4	16.7	-28.1
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	02/26	JPY	6506.00	-6.7	25.0	-22.9
Yuki Mizuho Jpn Gen	OT	OT	IRL	02/26	JPY	8112.00	-5.8	20.7	-20.8
Yuki Mizuho Jpn Gro	OT	OT	IRL	02/26	JPY	6000.00	-5.6	16.4	-22.6
Yuki Mizuho Jpn Inc	OT	OT	IRL	02/26	JPY	7425.00	-2.7	9.0	-21.0
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	02/26	JPY	4950.00	-4.6	19.6	-21.9
Yuki Mizuho Jpn LowP	OT	OT	IRL	02/26	JPY	11317.00	-2.1	24.2	-15.0
Yuki Mizuho Jpn PGth	OT	OT	IRL	02/26	JPY	7362.00	-7.5	15.2	-25.5
Yuki Mizuho Jpn SmCp	OT	OT	IRL	02/26	JPY	6515.00	-8.7	25.3	-22.4
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	02/26	JPY	5461.00	-3.3	22.1	-18.1
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	02/26	JPY	2660.00	-2.4	24.0	-24.9
■ Yuki Shizuoka Japan Series									
Yuki Shizuoka General Japan	JP	EQ	IRL	02/26	JPY	5132.00	-5.3	20.6	-21.7

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Switzerland	0.94%	1.0%	49.9%
Sweden	0.72	-0.1%	55.9
U.K.	1.41	-1.1	40.5
Canada	-0.17	-1.8	39.9
Japan	0.32	-1.8	19.5
South Africa	1.31	-2.5	35.5
Netherlands	1.26	-3.2	52.3
Australia	1.33	-3.8	36.9
Singapore	0.05	-5.5	74.1
Russia	1.20	-6.0	77.3
France	1.86	-6.2	39.5
Hong Kong	1.24	-6.3	53.9
Germany	1.21	-6.5	39.2
South Korea	0.12	-6.8	51.9
Turkey	1.69	-7.4	100.2
Italy	1.06	-8.6	41.7
Brazil	0.72	-9.2	100.8
China 88	-0.43	-10.4	43.3
Spain	1.77	-11.5	26.6

Dow Jones Regional Sector Titans

Travel Leisure	0.84%	4.1%	49.0%
Nordic 30	1.01	3.7	56.5
Arab 50	0.22	3.7	34.4
Pers H'hold Gds	0.51	1.5	44.6
EU Enlarged†	3.50	-0.9%	88.1
Asian 50	1.21	-2.3	50.9
Global 50	0.86	-4.5	42.6
Stoxx 50	1.05	-4.5	39.5
Tiger 50*	0.82	-7.0	71.3
Euro Stoxx 50	1.64	-8.0	38.1

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Friday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Woolworths	Australia	Food Retailers Wholesalers	$29.4	26.84	5.46%	2.7%	-0.7%
Aus NZ Bk	Australia	Banks	51.6	23.14	4.00	73.9	-19.8
National Australia Bk	Australia	Banks	47.5	25.44	3.04	42.3	-36.2
Toyota Motor	Japan	Automobiles	117.8	3,330	1.83	4.7	-56.8
Westfield Grp	Australia	Retail REITs	24.7	12.02	1.78	12.9	-43.2
QBE Ins Grp	Australia	Reinsurance	$19.5	21.40	-6.96%	12.3	-31.7
Panasonic	Japan	Consumer Electronics	28.7	1,235	-1.20	7.0	-46.7
NTT DoCoMo	Japan	Mobile Telecommunications	64.5	137,400	-0.94	-10.7	-34.3
Tokyo Elec Power	Japan	Conventional Electricity	37.0	2,439	-0.85	-12.1	-39.8
Hon Hai Precision Ind	Taiwan	Electrical Components Equipment	33.8	127.00	-0.78	109.5	-5.6

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Westpac Bking Australia (Banks)	67.7	26.13	1.71%	54.7%	4.2%
Seven I Hldgs Japan (Broadline Retailers)	20.3	2,004	1.67	-8.7	-45.5
PetroChina Hong Kong (Integrated Oil Gas)	23.5	8.67	1.64	56.8	-3.7
BHP Billiton Australia (General Mining)	122.8	41.10	1.61	42.6	51.6
RioZim Ltd Australia (General Mining)	38.1	70.50	1.59	89.1	18.4
JFE Hldgs Japan (Iron Steel)	19.6	3,305	1.54	53.4	-55.0
Mitsui Japan (Industrial Suppliers)	28.1	1,379	1.40	49.9	-33.9
Commonwlth Bk of Aus Australia (Banks)	72.9	53.92	1.39	80.9	8.6
China Constr Bk Hong Kong (Banks)	169.8	5.87	1.38	48.6	38.1
East Japan Railway Japan (Travel Tourism)	27.2	6,120	1.32	4.6	-32.2
CNOOC Hong Kong (Exploration Production)	70.4	12.24	1.16	80.0	93.4
Indl Comm Bk China Hong Kong (Banks)	58.7	5.49	1.10	72.6	31.0
Samsung Elec South Korea (Semiconductors)	94.5	744,000	1.09	56.0	31.5
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	47.5	58.80	1.03	31.5	-10.7
Japan Tobacco Japan (Tobacco)	34.8	322,500	0.94	37.2	-40.2
Nippon Steel Japan (Iron Steel)	23.5	332.00	0.91	27.2	-60.9
Honda Motor Japan (Automobiles)	63.2	3,080	0.65	28.9	-27.9
Woodside Petroleum Australia (Exploration Production)	27.7	43.37	0.63	21.2	18.2
Takeda Pharm Japan (Pharmaceuticals)	35.7	4,025	0.50	0.9	-49.4
Nintendo Japan (Toys)	34.7	24,170	0.46	-15.2	-23.3

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Mitsubishi Japan (Industrial Suppliers)	40.9	2,220	0.45%	78.5%	-17.2%
Hutchison Whampoa Hong Kong (Diversified Industrials)	30.6	55.70	0.27	35.9	-25.3
Shinhan Financial Grp South Korea (Banks)	16.9	41,450	0.24	77.9	-19.7
Cheung Kong Hong Kong (Real Estate Holding Development)	28.2	94.70	0.21	48.3	1.3
China Mobile (HK) Hong Kong (Mobile Telecommunications)	196.0	76.60	0.20	12.7	7.0
Sony Japan (Consumer Electronics)	34.1	3,050	0.16	82.9	-47.7
Sumitomo Mitsui Finl Japan (Banks)	43.3	2,856	0.11	-9.9	-74.7
Mizuho Financial Grp Japan (Banks)	27.2	172.00	...	-8.5	-79.0
POSCO South Korea (Iron Steel)	34.6	530,000	...	68.3	45.6
Kansai Elec Power Japan (Conventional Electricity)	22.6	2,104	-0.05	-11.0	-39.4
KDDI Japan (Mobile Telecommunications)	23.6	474,000	-0.11	-8.3	-46.0
Shin-Etsu Chml Japan (Specialty Chemicals)	22.8	4,780	-0.21	8.4	-33.8
Nippon T&T Japan (Fixed Line Telecommunications)	57.5	3,870	-0.39	-8.9	-35.7
KB Fncl Group South Korea (Banks)	16.1	48,750	-0.41	70.5	-40.3
Nissan Motor Japan (Automobiles)	32.3	705.00	-0.42	130.4	-47.2
China Life Ins Hong Kong (Life Insurance)	33.0	34.45	-0.43	58.0	71.8
Mitsubishi UFJ Finl Japan (Banks)	70.1	449.00	-0.44	-1.1	-68.4
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	35.6	107.80	-0.46	76.7	17.6
Tokio Marine Hldgs Japan (Property Casualty Insurance)	22.2	2,505	-0.52	10.8	-43.1
Canon Japan (Electronic Office Equipment)	51.2	3,695	-0.67	45.5	-41.0

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.56%	-1.04%	-0.2%	-1.0%	5.6%
Event Driven	0.35	-0.72	0.9	-0.1	13.5
Equity Long/Short	-0.06	-0.04	2.3	0.5	4.8

*Estimates as of 02/25/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

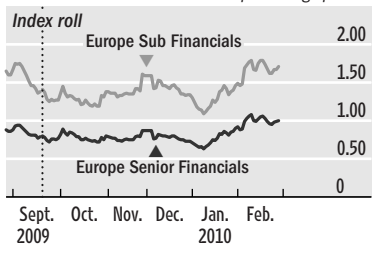
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.89	100.49%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	1.33	98.54	0.01	1.76	0.92	1.30
Europe Crossover: 12/1	4.85	100.57	0.05	6.15	3.79	4.94
Asia ex-Japan IG: 12/1	1.17	99.23	0.01	1.34	0.87	1.08
Japan: 12/1	1.48	97.78	0.01	1.68	0.99	1.36

Note: Data as of February 25

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Taisei	352	**-8**	-16	-1
Sotetsu Hldgs	74	**-4**	-2	13
Sumitomo Elec Inds	54	**-3**	-2	11
Nissan Mtr	140	**-3**	-3	15
DBS Bk	47	**-3**	-7	4
CNOOC	71	**-3**	-5	-3
Mizuho Corporate Bk	123	**-3**	-7	-4
Chartered Semicon Mfg	160	**-3**	-4	7
Nippon Telegraph Tel	38	**-2**	-2	13
Kirin Hldgs	43	**-2**	-4	4

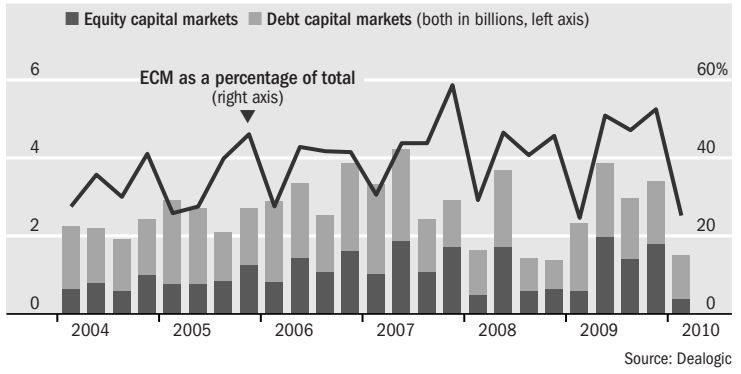
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Expt Import Bk Korea	120	**3**	...	7
SK Energy	123	**3**	-4	3
Nankai Elec Rwy	105	**4**	5	30
Indl Bk Korea	123	**4**	3	10
Korea Dev Bk	122	**5**	2	9
Woori Bk	142	**5**	-1	6
Shin Han Bk	134	**8**	...	10
Hana Bank	133	**8**	7	12
Isetan	100	**11**	10	15
Kookmin Bk	132	**12**	7	15

Source: Markit Group

Europe: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	389.00	5.75	1.50%	714.00	325.00
Soybeans (cents/bu.)	CBOT	961.00	11.00	1.16	1,087.50	819.75
Wheat (cents/bu.)	CBOT	519.25	15.50	3.08	745.00	472.00
Live cattle (cents/lb.)	CME	91.925	0.175	0.19	95.175	85.050
Cocoa ($/ton)	ICE-US	2,917	-5	-0.17%	3,514	2,066
Coffee (cents/lb.)	ICE-US	131.20	1.40	1.08	190.40	118.30
Sugar (cents/lb.)	ICE-US	23.60	-0.10	-0.42	29.00	11.90
Cotton (cents/lb.)	ICE-US	82.46	1.29	1.59	94.00	51.38
Crude palm oil (ringgit/ton)	MDEX	2,595.00	5	0.19	3,600	1,486
Cocoa (pounds/ton)	LIFFE	2,189	1	0.05	2,356	1,475
Robusta coffee ($/ton)	LIFFE	1,284	25	1.99	1,605	1,251
Copper (cents/lb.)	COMEX	328.40	7.40	2.31	355.00	140.00
Gold ($/troy oz.)	COMEX	1118.90	10.40	0.94	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	1652.10	38.90	2.41	1,949.50	916.00
Aluminum ($/ton)	LME	2,087.50	-2.50	-0.12	2,356.50	1,301.00
Tin ($/ton)	LME	16,700.00	-175.00	-1.04	18,250.00	9,945.00
Copper ($/ton)	LME	7,095.00	16.00	0.23	7,695.00	3,355.00
Lead ($/ton)	LME	2,169.00	3.00	0.14	2,615.00	1,030.50
Zinc ($/ton)	LME	2,174.00	6.00	0.28	2,659.00	1,104.00
Nickel ($/ton)	LME	20,525	200	0.98	21,150	9,475
Crude oil ($/bbl.)	NYMEX	79.66	1.49	1.91	116.70	51.00
Heating oil ($/gal.)	NYMEX	2.0353	0.0367	1.84	3.4750	1.3939
RBOB gasoline ($/gal.)	NYMEX	2.1879	0.0402	1.87	2.2972	1.4475
Natural gas ($/mmBtu)	NYMEX	4.813	0.046	0.96	10.800	4.595
Brent crude ($/bbl.)	ICE-EU	77.97	1.29	1.68	109.11	57.30
Gas oil ($/ton)	ICE-EU	628.75	16.00	2.61	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Feb. 26

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.2661	0.1899	3.8585	0.2592
Brazil real	2.4676	0.4053	1.8080	0.5531
Canada dollar	1.4431	0.6930	1.0574	0.9458
1-mo. forward	1.4431	0.6929	1.0574	0.9457
3-mos. forward	1.4433	0.6929	1.0575	0.9456
6-mos. forward	1.4437	0.6927	1.0578	0.9453
Chile peso	719.86	0.001389	527.45	0.001896
Colombia peso	2636.11	0.0003793	1931.50	0.0005177
Ecuador US dollar-f	1.3648	0.7327	1	1
Mexico peso-a	17.4328	0.0574	12.7732	0.0783
Peru sol	3.8863	0.2573	2.8475	0.3512
Uruguay peso-e	26.955	0.0371	19.750	0.0506
U.S. dollar	1.3648	0.7327	1	1
Venezuela bolivar	5.86	0.170610	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5245	0.6560	1.1170	0.8953
China yuan	9.3162	0.1073	6.8261	0.1465
Hong Kong dollar	10.5954	0.0944	7.7633	0.1288
India rupee	62.9105	0.0159	46.0950	0.0217
Indonesia rupiah	12740	0.0000785	9335	0.0001071
Japan yen	121.30	0.008244	88.88	0.011252
1-mo. forward	121.28	0.008245	88.86	0.011253
3-mos. forward	121.24	0.008248	88.83	0.011257
6-mos. forward	121.16	0.008254	88.78	0.011264
Malaysia ringgit-c	4.6441	0.2153	3.4028	0.2939
New Zealand dollar	1.9553	0.5114	1.4327	0.6980
Pakistan rupee	116.008	0.0086	85.000	0.0118
Philippines peso	62.883	0.0159	46.075	0.0217
Singapore dollar	1.9188	0.5212	1.4059	0.7113
South Korea won	1583.17	0.0006316	1160.00	0.0008621
Taiwan dollar	43.778	0.02284	32.077	0.03118
Thailand baht	45.086	0.02218	33.035	0.03027

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7327	1.3648
1-mo. forward	1.0000	1.0000	0.7327	1.3647
3-mos. forward	1.0001	0.9999	0.7328	1.3646
6-mos. forward	1.0005	0.9995	0.7331	1.3641
Czech Rep. koruna-b	25.943	0.0385	19.009	0.0526
Denmark krone	7.4434	0.1343	5.4539	0.1834
Hungary forint	269.49	0.003711	197.46	0.005064
Norway krone	8.0642	0.1240	5.9087	0.1692
Poland zloty	3.9409	0.2538	2.8875	0.3463
Russia ruble-d	40.812	0.02450	29.904	0.03344
Sweden krona	9.7071	0.1030	7.1125	0.1406
Switzerland franc	1.4641	0.6830	1.0728	0.9322
1-mo. forward	1.4638	0.6832	1.0725	0.9324
3-mos. forward	1.4632	0.6834	1.0721	0.9328
6-mos. forward	1.4621	0.6840	1.0713	0.9335
Turkey lira	2.1035	0.4754	1.5413	0.6488
U.K. pound	0.8967	1.1151	0.6571	1.5220
1-mo. forward	0.8970	1.1149	0.6572	1.5216
3-mos. forward	0.8973	1.1145	0.6574	1.5210
6-mos. forward	0.8978	1.1138	0.6578	1.5201
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5145	1.9435	0.3770	2.6526
Egypt pound-a	7.4928	0.1335	5.4900	0.1821
Israel shekel	5.1579	0.1939	3.7793	0.2646
Jordan dinar	0.9666	1.0345	0.7083	1.4119
Kuwait dinar	0.3934	2.5420	0.2882	3.4693
Lebanon pound	2047.88	0.0004883	1500.50	0.0006665
Saudi Arabia riyal	5.1181	0.1954	3.7501	0.2667
South Africa rand	10.4581	0.0956	7.6627	0.1305
United Arab dirham	5.0129	0.1995	3.6730	0.2723
SDR -f	0.8905	1.1229	0.6525	1.5326

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
52	**ASIA-PACIFIC**	DJ Asia-Pacific	120.67	1.06	0.89%	-1.9%	54.2%
...	Australia	SPX/ASX 200	4637.72	43.65	0.95	-4.8	38.7
28	China	CBN 600	27303.91	-65.99	-0.24%	-6.0	56.1
18	Hong Kong	Hang Seng	20608.70	209.13	1.03	-5.8	60.9
18	India	Sensex	16429.55	175.35	1.08	-5.9	84.8
...	Indonesia	Jakarta Composite	2549.033		Closed	0.6	98.3
...	Japan	Nikkei Stock Average	10126.03	24.07	0.24	-4.0	33.8
...		Topix	894.10	2.69	0.30	-1.5	18.2
...	Malaysia	Kuala Lumpur Composite	1270.78		Closed	-0.2	42.7
...	New Zealand	NZSX-50	3156.102	4.416	0.14	-2.3	25.1
9	Pakistan	KSE 100	9657.79	-9.38	-0.10	2.9	68.6
14	Philippines	Manila Composite	3043.75	12.49	0.41	-0.3	62.6
...	Singapore	Straits Times	2750.86	1.71	0.06	-5.1	72.5
11	South Korea	Kospi	1594.58	7.07	0.45	-5.2	50.0
20	Taiwan	Weighted	7436.10	9.14	0.12	-9.2	63.2
10	Thailand	SET	721.37	4.27	0.60	-1.8	67.2
58	**EUROPE**	DJ Stoxx 600	245.80	2.51	1.03	-2.9	42.1
23		DJ Stoxx 50	2470.18	25.65	1.05	-4.2	39.5
70	**Euro Zone**	DJ Euro Stoxx	256.81	3.90	1.54%	-6.5%	39.4%
21		DJ Euro Stoxx 50	2728.47	44.05	1.64	-8.0	38.1
...	Denmark	OMX Copenhagen	333.21	0.91	0.27	5.5	53.0
19	Finland	OMX Helsinki	6680.45	74.31	1.12	3.5	52.0
15	France	CAC-40	3708.80	68.03	1.87	-5.8	37.2
16	Germany	DAX	5598.46	66.13	1.20	-6.0	45.7
13	Italy	FTSE MIB	21068.32	225.09	1.08	-9.4	37.9
...	Netherlands	AEX	317.74	2.89	0.92	-5.2	44.6
...	Russia	RTSI	1390.25	17.14	1.25	-2.6	155.3
10	Spain	IBEX 35	10333.6	207.4	2.05	-13.5	35.6
16	Switzerland	SMI	6710.99	67.03	1.01	2.5	43.1
...	Turkey	ISE National 100	49705.49	966.06	1.98	-5.9	106.9
13	U.K.	FTSE 100	5354.52	76.30	1.45	-1.1	39.8
18	**AMERICAS**	DJ Americas	293.32	0.83	0.28	-1.1	56.4
...	Brazil	Bovespa	66503.27	382.23	0.58	-3.0	74.2
...	Argentina	Merval	2221.38	9.68	0.44	-4.3	117.9
19	Mexico	IPC	31634.54	-14.56	-0.05%	-1.5	78.2

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.17%	22	**Global TSM**	2250.98	19.62	0.88%	-2.9%	57.3%	-8.6%
1.94	20	**Global DOW**	1892.10	19.82	1.06	-4.7	52.9	-5.7
2.85	15	**Global Titans 50**	165.86	1.41	0.86	-4.5	42.6	-10.5
2.14	42	**Asia/Pacific TSM**	1193.37	10.58	0.89	-1.9	59.3	-7.0
2.39	15	**Asia/Pacific ex-Japan TSM**	2911.77	36.53	1.27	-5.3	89.9	-1.3
2.73	16	**Europe TSM**	2475.00	45.86	1.89	-7.6	54.2	-12.7
1.83	14	**Emerging Markets TSM**	3887.64	65.03	1.70	-4.1	94.3	-0.4
2.69	43	**Asian Titans 50**	131.23	1.57	1.21	-2.3	50.9	-8.9
6.39	6	**BRIC 50**	554.07	9.69	1.78	-7.3	91.7	3.6
0.86	28	**CBN China 600** -c	27303.91	-65.99	-0.24	-6.0	56.1	8.7
2.35	18	**China Offshore 50**	3791.52	55.04	1.47	-7.0	63.3	4.7
0.89	31	**Shanghai** -c	367.76	-0.74	-0.20	-5.1	56.8	8.9

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
0.58%	46	**Shenzhen** -c	405.76	-0.05	-0.01%	-2.6%	77.5%	15.3%
1.83	24	**U.S. TSM**	11343.17	13.86	0.12	-0.4	53.0	-8.2
4.94	14	**Global Select Div** -d	189.90	1.92	1.02	-6.0	87.2	-11.7
5.55	14	**Asia/Pacific Select Div** -d	261.09	3.49	1.36	-2.8	106.7	-11.4
4.18	15	**Hong Kong Select Div** -d	186.16	1.05	0.57	-0.7	55.3	-0.7
4.22	15	**U.S. Select Dividend** -d	315.02	-1.60	-0.50	-0.2	49.5	-14.9
2.12	14	**Islamic Market**	1917.95	12.86	0.67	-2.9	50.9	-3.7
2.42	15	**Islamic Market 100**	2047.76	9.94	0.49	-3.5	39.1	-4.1
2.78	16	**Islamic China/HK Titans 30**	1456.32	20.17	1.40	-2.0	60.0	0.8
1.26	12	**Sustainability Korea**	1134.14	9.03	0.80	-5.9	100.8	-2.3
4.34	17	**Brookfield Infrastructure**	1973.37	15.83	0.81	-2.6	44.3	-5.3
		DJ-UBS Commodity -p	133.83	2.20	1.67	-3.8	26.3	-8.3

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.117	0.657	1.057	6.826	0.733	7.763	46.095	9335.32	88.875	1.433	1160.00	3.403	46.075	1.406	1.073	32.077	33.035
Australia	0.895		0.588	0.947	6.111	0.656	6.950	41.267	8357.45	79.565	1.283	1038.49	3.046	41.249	1.259	0.960	28.716	29.575
Britain	1.522	1.700		1.609	10.389	1.115	11.815	70.154	14207.90	135.263	2.180	1765.46	5.179	70.124	2.140	1.633	48.819	50.278
Canada	0.946	1.056	0.621		6.456	0.693	7.342	43.595	8828.98	84.054	1.355	1097.08	3.218	43.576	1.330	1.015	30.337	31.243
China	0.1465	0.164	0.096	0.155		0.107	1.137	6.753	1367.60	13.020	0.210	169.94	0.498	6.750	0.206	0.157	4.699	4.840
Euro	1.365	1.524	0.897	1.443	9.316		10.595	62.910	12740.85	121.297	1.955	1583.17	4.644	62.883	1.919	1.464	43.778	45.086
Hong Kong	0.129	0.144	0.085	0.136	0.879	0.094		5.938	1202.49	11.448	0.185	149.42	0.438	5.935	0.181	0.138	4.132	4.255
India	0.0217	0.0242	0.0143	0.0229	0.1481	0.0159	0.1684		202.52	1.9281	0.0311	25.17	0.0738	0.9996	0.0305	0.0233	0.6959	0.7167
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0095	0.0002	0.12	0.0004	0.0049	0.0002	0.0001	0.0034	0.0035
Japan	0.011	0.013	0.007	0.012	0.077	0.008	0.087	0.519	105.04		0.016	13.05	0.038	0.518	0.016	0.012	0.361	0.372
New Zealand	0.698	0.780	0.459	0.738	4.765	0.511	5.419	32.174	6516.06	62.035		809.68	2.375	32.160	0.981	0.749	22.389	23.058
South Korea	0.0009	0.0010	0.0006	0.0009	0.0059	0.0006	0.0067	0.0397	8.05	0.0766	0.0012		0.0029	0.0397	0.0012	0.0009	0.0277	0.0285
Malaysia	0.294	0.328	0.193	0.311	2.006	0.215	2.281	13.546	2743.46	26.119	0.421	340.90		13.541	0.413	0.315	9.427	9.708
Philippines	0.022	0.024	0.014	0.023	0.148	0.016	0.168	1.000	202.61	1.929	0.031	25.18	0.074		0.031	0.023	0.696	0.717
Singapore	0.711	0.795	0.467	0.752	4.855	0.521	5.522	32.787	6640.11	63.216	1.019	825.09	2.420	32.773		0.763	22.816	23.497
Switzerland	0.932	1.041	0.612	0.986	6.363	0.683	7.237	42.969	8702.24	82.848	1.336	1081.33	3.172	42.950	1.311		29.901	30.795
Taiwan	0.031	0.035	0.020	0.033	0.213	0.023	0.242	1.437	291.03	2.771	0.045	36.16	0.106	1.436	0.044	0.033		1.030
Thailand	0.030	0.034	0.020	0.032	0.207	0.022	0.235	1.395	282.59	2.690	0.043	35.11	0.103	1.395	0.043	0.032	0.971	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of February. 26, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	26	**ALL COUNTRY (AC) WORLD***	286.91	0.85%	-4.2%	37.9%
2.50	27	**World (Developed Markets)**	1,124.02	0.82	-3.8	34.0
1.80	116	**World Small Cap**	188.64	0.50	-0.8	52.3
2.60	22	**Kokusai (World ex-Japan)**	1,107.55	0.97	-4.5	36.6
3.00	27	**EAFE**	1,473.84	1.56	-6.8	32.2
2.10	20	**Emerging Markets (EM)**	922.93	1.12	-6.7	74.3
2.60	22	**AC ASIA PACIFIC EX-JAPAN**	388.98	1.46	-6.6	70.4
2.10	22	**AC Far East ex-Japan**	420.23	1.16	-6.6	63.9
1.70	-36	**Japan**	557.11	-0.60	-2.0	13.8
2.00	19	**China**	59.88	-0.65	-7.6	60.0
0.90	37	**China A (China Domestic)**	3,157.24	1.50	-6.6	63.7
2.70	22	**Hong Kong**	9,822.65	-0.31	-3.5	49.1
1.00	20	**India**	662.98	-0.10	-6.2	82.8
1.10	16	**Korea**	448.46	-1.63	-6.7	40.1
2.40	19	**Malaysia**	465.96	-0.31	-0.8	42.3
3.10	17	**Singapore**	1,536.82	-0.42	-5.4	55.9
2.60	232	**Taiwan**	267.12	-1.54	-9.7	67.3
3.00	18	**Thailand**	292.95	0.42	-2.9	64.0
4.00	24	**Australia**	950.21	-1.21	-5.1	30.5
5.40	16	**New Zealand**	84.09	0.62	-3.6	4.9
1.90	32	**US BROAD MARKET**	1,229.08	0.16	-0.6	36.6
3.40	17	**EUROPE**	84.50	-1.60	-4.3	26.3

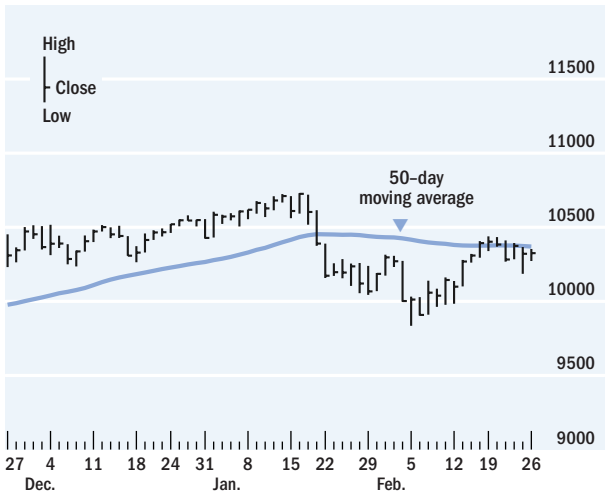
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 16

LAST: **10325.26** ▲ 4.23, or 0.04%
YEAR TO DATE: ▼ **102.79, or 1.0%**
OVER 52 WEEKS ▲ **3,262.33, or 46.2%**



Nasdaq Composite Index P/E: 19*

LAST: **2238.26** ▲ 4.04, or 0.18%
YEAR TO DATE: ▼ **30.89, or 1.4%**
OVER 52 WEEKS ▲ **860.42, or 62.4%**

S&P 500 Index P/E: 22

LAST: **1104.49** ▲ 1.55, or 0.14%
YEAR TO DATE: ▼ **10.61, or 1.0%**
OVER 52 WEEKS ▲ **369.40, or 50.3%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**25.50**	$24.81	0.04	**0.16%**
Alcoa	AA	**23.30**	13.30	-0.01	**-0.08**
AmExpress	AXP	**5.60**	38.19	0.15	**0.39**
BankAm	BAC	**256.30**	16.66	0.11	**0.66**
Boeing	BA	**4.00**	63.16	0.29	**0.46**
Caterpillar	CAT	**5.70**	57.05	0.26	**0.46**
Chevron	CVX	**6.40**	72.30	0.19	**0.26**
CiscoSys	CSCO	**26.90**	24.33	0.00	**0.00**
CocaCola	KO	**27.30**	52.72	-0.40	**-0.75**
Disney	DIS	**11.90**	31.24	-0.12	**-0.38**
DuPont	DD	**7.30**	33.72	0.20	**0.60**
ExxonMobil	XOM	**16.00**	65.00	-0.14	**-0.21**
GenElec	GE	**52.90**	16.06	0.14	**0.88**
HewlettPk	HPQ	**9.30**	50.79	-0.13	**-0.26**
HomeDpt	HD	**12.50**	31.20	-0.16	**-0.51**
Intel	INTC	**38.60**	20.53	-0.10	**-0.48**
IBM	IBM	**3.90**	127.16	0.09	**0.07**
JPMorgChas	JPM	**64.00**	41.97	1.33	**3.27**
JohnsJohns	JNJ	**7.50**	63.00	-0.28	**-0.44**
KftFoods	KFT	**23.40**	28.43	-0.38	**-1.32**
McDonalds	MCD	**7.00**	63.85	-0.53	**-0.82**
Merck	MRK	**11.30**	36.88	0.31	**0.85**
Microsoft	MSFT	**32.00**	28.67	0.07	**0.24**
Pfizer	PFE	**53.30**	17.55	-0.14	**-0.79**
ProctGamb	PG	**8.70**	63.28	-0.42	**-0.66**
3M	MMM	**2.60**	80.15	0.41	**0.51**
TravelersCos	TRV	**5.00**	52.59	-0.16	**-0.30**
UnitedTech	UTX	**3.40**	68.65	-0.02	**-0.03**
Verizon	VZ	**11.00**	28.93	0.05	**0.17**
WalMart	WMT	**13.80**	54.07	-0.08	**-0.15**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
BankAm	BAC	**343.2**	$16.66	$0.11	**0.66%**
Citigroup	C	**177.7**	3.40	0.01	**0.29**
SPDR S&P 500	SPY	**173.1**	110.74	0.07	**0.06**
SiriusXM	SIRI	**145.6**	1.02	-0.05	**-4.67**
YRC Worldwide	YRCW	**106.1**	0.46	0.06	**14.84**
SPDR FnclSelSct	XLF	**105.4**	14.68	0.09	**0.62**
E Trade	ETFC	**90.3**	1.61	0.05	**3.21**
FordMotor	F	**72.3**	11.74	-0.04	**-0.34**
JPMorgChas	JPM	**67.2**	41.97	1.33	**3.27**
PwrShrs QQQ	QQQQ	**66.2**	44.76	0.16	**0.36**
iShrMSCIEmrgMkt	EEM	**65.7**	38.96	0.39	**1.01**
PalmInc	PALM	**62.8**	6.09	-0.44	**-6.74**
DiscComm A	DISCA	**60.9**	31.15	-0.24	**-0.76**
GenElec	GE	**60.4**	16.06	0.14	**0.88**
Pfizer	PFE	**59.2**	17.55	-0.14	**-0.79**

Biggest gainers...

Nuvasive	NUVA	**12,470.1**	$40.00	$10.31	**34.73%**
WSB Hldg	WSB	**17.0**	3.99	0.99	**33.00**
CKE Restr	CKR	**20,442.1**	11.37	2.46	**27.61**
RosettaStone	RST	**2,663.0**	22.00	4.66	**26.87**
Entorian	ENTN	**6.6**	4.50	0.86	**23.46**

...Biggest losers

RockwlMed	RMTI	**1,233.1**	$5.96	-$2.18	**-26.78%**
VSE	VSEC	**166.1**	42.53	-8.94	**-17.37**
AthenaHealth	ATHN	**6,653.8**	36.84	-6.68	**-15.35**
WgtWtchrs	WTW	**2,685.3**	25.72	-4.43	**-14.69**
StrmGblSrvs	SGS	**193.0**	5.75	-0.97	**-14.43**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$4.24	$1.65	**Utd Microelectronics**	UMC	**9,155.8**	$3.43	0.09	**2.69%**
11.69	6.98	**Taiwan Semi**	TSM	**8,278.7**	9.75	0.00	**0**
15.95	8.74	**China Unicom**	CHU	**5,488.7**	12.17	0.92	**8.18**
82.74	33.09	**BHP Billiton**	BHP	**4,334.8**	73.33	0.89	**1.23**
8.19	4.18	**Siliconware Prec Ind**	SPIL	**3,336.7**	5.84	-0.11	**-1.85**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**3,102.8**	5.12	0.05	**0.99**
13.30	6.35	**AU Optrncs**	AUO	**2,164.5**	10.37	0.13	**1.27**
5.23	1.57	**Adv Semi Engrg**	ASX	**1,950.3**	4.02	-0.11	**-2.66**
91.97	56.79	**Toyota Motor**	TM	**1,569.3**	74.83	0.93	**1.26**
21.22	16.33	**ChunghwaTel**	CHT	**1,451.6**	18.68	0.30	**1.63**
59.22	40.20	**China Mobile**	CHL	**1,357.2**	49.43	0.26	**0.53**
59.13	22.61	**Infosys Tech**	INFY	**1,149.5**	56.90	0.11	**0.19**
35.59	16.13	**Sony**	SNE	**735.1**	34.11	0.11	**0.32**
18.64	12.59	**SK Telecom**	SKM	**656.9**	16.68	-0.04	**-0.24**
18.20	6.85	**Korea Elec Pwr**	KEP	**594.8**	16.13	0.17	**1.07**
9.50	3.96	**Nomura Hldgs**	NMR	**573.7**	7.38	0.17	**2.36**
34.27	10.70	**Aluminum Cp of China**	ACH	**494.3**	24.10	0.13	**0.54**
94.00	46.45	**China Petro & Chem**	SNP	**451.4**	79.18	3.56	**4.71**
5.26	1.55	**SemiMfgInt**	SMI	**437.3**	5.19	0.24	**4.85**
81.00	38.70	**China Life Ins**	LFC	**369.5**	66.46	-0.28	**-0.42**
135.92	63.94	**PetroChina**	PTR	**347.6**	111.92	1.89	**1.72**
21.78	11.30	**KT Corp**	KT	**327.7**	19.18	0.37	**1.97**
43.95	21.23	**Canon**	CAJ	**322.0**	41.48	-0.10	**-0.24**
150.50	47.09	**POSCO**	PKX	**295.6**	115.46	0.47	**0.41**
171.59	75.59	**CNOOC**	CEO	**292.2**	157.29	1.81	**1.16**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**254.8**	21.25	0.46	**2.21**
9.82	5.43	**Telecom Corp of NZ**	NZT	**249.1**	7.90	0.13	**1.67**
7.74	2.00	**Alumina**	AWC	**239.4**	5.43	-0.03	**-0.55**
37.23	20.72	**Honda Motor**	HMC	**207.5**	34.61	0.37	**1.08**
56.41	31.92	**ChinaTele**	CHA	**201.0**	44.01	1.28	**3.00**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

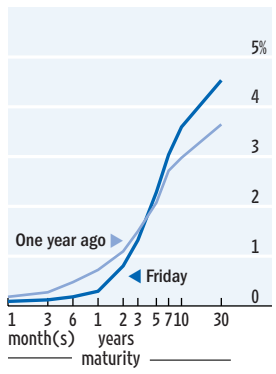
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.550%**	**375.0**	375.1	354.0	**167.9**	**4.590%**	4.356%	**2.773%**
4.500	10	**5.490**	**189.9**	190.6	190.0	**125.4**	**5.555**	5.526	**4.253**
5.000	**Austria** 2	**1.297**	**49.7**	44.5	77.2	**21.7**	**1.284**	1.588	**1.311**
3.900	10	**3.552**	**-3.9**	-7.0	3.8	**125.6**	**3.579**	3.664	**4.255**
2.000	**Belgium** 2	**1.116**	**31.6**	29.5	57.8	**25.4**	**1.134**	1.394	**1.348**
3.750	10	**3.643**	**5.2**	3.5	11.9	**122.1**	**3.684**	3.745	**4.220**
1.500	**Canada** 2	**1.266**	**46.6**	46.3	35.1	**12.7**	**1.302**	1.167	**1.221**
3.750	10	**3.377**	**-21.4**	-23.6	-26.6	**15.1**	**3.413**	3.360	**3.150**
4.000	**Denmark** 2	**1.682**	**88.2**	85.3	107.2	**117.1**	**1.692**	1.888	**2.265**
4.000	10	**3.445**	**-14.6**	-22.0	-9.3	**53.7**	**3.429**	3.533	**3.536**
3.750	**France** 2	**0.921**	**12.1**	9.9	41.3	**48.0**	**0.938**	1.229	**1.574**
3.500	10	**3.399**	**-19.2**	-23.9	-17.6	**65.7**	**3.410**	3.450	**3.656**
1.250	**Germany** 2	**0.871**	**7.1**	1.8	29.3	**23.0**	**0.857**	1.109	**1.324**
3.250	10	**3.098**	**-49.3**	-53.4	-42.3	**10.7**	**3.115**	3.203	**3.106**
0.640	**Hong Kong** 2	**0.741**	**-5.9**	-9.2	-27.5	**-25.3**	**0.747**	0.541	**0.841**
2.160	10	**2.895**	**-69.6**	-71.0	-73.4	**-93.2**	**2.939**	2.892	**2.067**
5.000	**Italy** 2	**1.405**	**60.5**	67.1	83.6	**109.8**	**1.510**	1.652	**2.192**
4.250	10	**3.967**	**37.6**	40.5	39.5	**166.7**	**4.054**	4.021	**4.666**
0.200	**Japan** 2	**0.155**	**-64.5**	-74.1	-65.1	**-69.3**	**0.098**	0.165	**0.401**
1.300	10	**1.309**	**-228.2**	-234.6	-229.7	**-172.3**	**1.303**	1.329	**1.276**
2.500	**Netherlands** 2	**0.921**	**12.1**	4.8	39.2	**62.0**	**0.887**	1.208	**1.714**
3.500	10	**3.381**	**-21.0**	-23.7	-22.9	**93.1**	**3.412**	3.397	**3.930**
5.000	**Portugal** 2	**2.112**	**131.2**	61.0	57.4	**69.0**	**1.449**	1.390	**1.784**
4.800	10	**4.474**	**88.3**	90.6	52.9	**159.1**	**4.555**	4.155	**4.590**
5.350	**Spain** 2	**1.273**	**47.3**	39.0	67.7	**100.7**	**1.229**	1.493	**2.101**
4.000	10	**3.865**	**27.4**	28.0	41.8	**131.3**	**3.929**	4.044	**4.312**
2.750	**Switzerland** 2	**0.335**	**-46.5**	-50.1	-17.9	**-65.8**	**0.338**	0.637	**0.436**
2.250	10	**1.911**	**-168.0**	-171.2	-158.2	**-72.8**	**1.937**	2.044	**2.271**
3.250	**U.K.** 2	**0.963**	**16.3**	14.7	37.8	**39.0**	**0.986**	1.194	**1.484**
3.750	10	**4.030**	**43.9**	39.3	25.1	**64.0**	**4.042**	3.877	**3.639**
0.875	**U.S.** 2	**0.800**	**...**	...	...	**...**	**0.839**	0.816	**1.094**
3.625	10	**3.591**	**...**	...	...	**...**	**3.649**	3.626	**2.999**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.532%**	16.22	-0.08%	2.36%	2.36%	-9.96%
10-year Treasury	**3.595**	8.30	0.46	2.64	2.64	-1.51
7 Year Treasury	**3.037**	6.27	0.63	2.97	2.97	3.09
Five-year Treasury	**2.285**	4.69	0.71	2.37	2.37	3.10
Ryan Index	**2.596**	6.72	0.40	2.16	2.16	0.26
3 Year Treasury	**1.321**	2.90	0.41	1.55	1.55	3.75
Two-year Treasury	**0.804**	1.98	0.21	0.98	0.98	2.64
1 Year Treasury	**0.295**	0.96	0.04	0.25	0.25	1.40
Six-month Treasury	**0.183**	0.50	0.01	0.05	0.05	0.63
Ryan Cash Index-a	**0.173**	0.44	0.02	0.08	0.08	0.62
Three-month bill	**0.122**	0.25	0.01	0.02	0.02	0.34
One-month bill	**0.091**	0.07	...	...	...	0.12

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.00
ECB	**1.00**	2.00
Switzerland	**0.54**	0.53
Australia	**3.75**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.22875%**	0.49625%
Three month	**0.25169**	1.26438
Six month	**0.38688**	1.80313
One year	**0.83938**	2.11938

	Latest	52 wks ago
Euro Libor		
One month	**0.38250%**	1.52375%
Three month	**0.60125**	1.82813
Six month	**0.91250**	1.93875
One year	**1.19625**	2.03625
Hibor		
One month	**0.07036**	0.24857%
Three month	**0.13000**	0.84714
Six month	**0.23000**	1.20071
One year	**0.51000**	1.63929
Asian dollars		
One month	**0.2376%**	0.51%
Three month	**0.2566**	1.2638
Six month	**0.3890**	1.7950
One year	**0.8470**	2.1075

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.5500**	0.3500
One year	**0.9500**	0.5500

	Latest	52 wks ago
U.S. discount	**0.75%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.20%**	0.28%
U.K. (BBA)	**0.503**	1.033
Euro zone	**0.29**	1.29

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Friday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average

Japan 10126.03

▲ **0.24% or 24.07**

Friday's gain snapped a three-session losing run, but the index shed 0.7% for all of February, making it its fifth losing month in the last six.

Stock	Volume in millions	Close	Change Net	Change %
Mtshbsh Fin Grp	**54.94**	449	–2	–0.44
Mizuho Financial	**50.85**	172	unch.	...
GS Yuasa	**33.89**	622	5	0.81
Pioneer	**30.40**	314	–8	–2.48
Kawasaki Kisen K	**29.71**	322	3	0.94

Sensex

India 16429.55

▲ **1.08% or 175.35**

Investors applauded the government's budget unveiled Friday. That pushed the index into the black for February. The 0.4% gain was the third monthly rise in four.

Stock	Volume in millions	Close	Change Net	Change %
Hindalco-A	**5.20**	161.25	8.25	5.39
Dlf-A	**5.00**	297.15	7.90	2.73
Jaiprak Asso-A	**3.50**	132.25	2.85	2.20
Itc-A	**2.89**	232.05	–15.25	–6.17
Tata Steel-A	**1.66**	573.65	6.30	1.11

Hang Seng

Hong Kong 20608.70

▲ **1.03% or 209.13**

This benchmark climbed 3.6% for the week, its best weekly showing in almost three months. It gained 2.4% in February, its fifth monthly gain in the last six.

Stock	Volume in millions	Close	Change Net	Change %
CCB	**261.96**	5.87	0.08	1.38
Bank Of China	**227.69**	3.77	0.04	1.07
ChinaPetroChem	**183.66**	6.09	0.24	4.10
Icbc	**171.66**	5.49	0.06	1.10
PetroChina	**95.10**	8.67	0.14	1.64

ASX 200

Australia 4637.72

▲ **0.95% or 43.65**

ANZ pushed up the index on Friday, capping a month in which the benchmark firmed 1.5%. It has risen for 10 of the last 12 months, although it is down for 2010.

Stock	Volume in millions	Close	Change Net	Change %
Goodman Grp-Stpl	**104.30**	0.60	0.01	1.69
GPT Group	**99.14**	0.58	–0.01	–0.86
Telstra	**92.71**	2.97	–0.04	–1.33
Macquarie Atlas	**32.85**	0.81	–0.01	–0.62
Gunns	**31.26**	0.57	–0.03	–4.20

Asian stocks in the news

Aus & NZ Bk

Australia A$23.14

▲ **4.0% or A$0.89**

The bank is the latest lender to report strong earnings growth. It also cooled talk of an AMP tie-up.

Price-to-earnings ratio	**14**
Earnings per share, past four quarters	**1.70**
Dividend yield	**2.4**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**1.3%**	2.4%	53.8%
Aus & NZ Bk	**4.0%**	5.4%	73.9%

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Mazda Motor

Japan ¥234

▲ **4.0% or ¥9**

Car makers gained on stronger-than-expected Japanese industrial production.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-2.10**
Dividend yield	**1.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**1.2%**	3.1%	49.7%
Mazda Motor	**4.0%**	4.9%	85.7%

Seiko Epson

Japan ¥1,504

▼ **2.1% or ¥33**

The weaker euro hit shares of copier makers with relatively high exposure to Europe.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-105.10**
Dividend yield	**0.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**0.3%**	0.6%	76.5%
Seiko Epson	**-2.1%**	-1.1%	32.3%

Kurita Water Inds

Japan ¥2,448

▼ **3.6% or ¥92**

The stock, down 6.7% over three sessions, is at its lowest close in nearly 10 months.

Price-to-earnings ratio	**22**
Earnings per share, past four quarters	**113.00**
Dividend yield	**1.4**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.2%**	1.9%	68.3%
Kurita Water Inds	**-3.6%**	-3.1%	45.3%

Foxconn Intl

Hong Kong HK$7.96

▼ **4.0% or HK$0.33**

Chinese officials want the maker of cell phones to pay more taxes.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.04**
Dividend yield	**none**

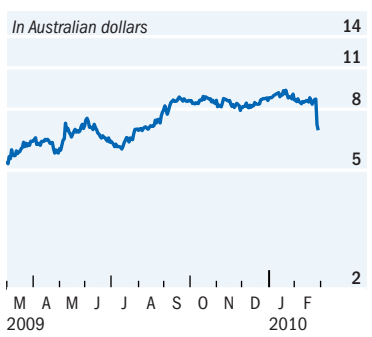
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**0.3%**	0.6%	76.5%
Foxconn Intl	**-4.0%**	-1.7%	246.1%

Toll Hldgs

Australia A$6.80

▼ **4.2% or A$0.30**

The stock was hit for a second day after earnings fell well short of expectations.



Price-to-earnings ratio	**22**
Earnings per share, past four quarters	**0.31**
Dividend yield	**1.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.2%**	1.9%	68.3%
Toll Hldgs	**-4.2%**	-18.2%	27.1%

QBE Ins Grp

Australia A$21.40

▼ **7.0% or A$1.60**

Earnings fell short of expectations, and it forecast continuing difficult conditions for the industry.

Price-to-earnings ratio	**11**
Earnings per share, past four quarters	**1.97**
Dividend yield	**3.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Insurance	**-0.7%**	1.3%	34.6%
QBE Ins Grp	**-7.0%**	-8.4%	12.3%

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

India takes a fine line on its fickle deficit

Has New Delhi managed a political coup: unveiling a federal budget that, in fact, has something for everyone?

Pro-growth lobbies, fearing a substantial rollback of stimulus giveaways, found themselves instead surprised with little spending restraint. Some tax cuts put in place a year ago were reversed, but to a smaller extent than expected. Moreover, the biggest surprise Friday was word of a personal income-tax break.

Deficit hawks, worried that pro-poor spending and subsidies would have India's deficit expanding beyond already high levels, instead heard that this wouldn't happen. The government stuck to its aim of getting the budget deficit down to 5.5% of gross domestic product next year, from a projected 6.9% for the year that ends in March, a 16-year high.

The reality is that New Delhi can't have it both ways. Expenditure is on the rise, and so is borrowing. Relative to India's economy, the deficit may look smaller, but that's a "natural consequence of high growth, not a structural tightening in fiscal discipline" says Robert Prior-Wandesforde, an economist at HSBC.

Anyway, New Delhi has demonstrated a willingness to revise up its borrowing targets as the year progresses.

India started this fiscal year also targeting a deficit that would come in at 5.5% of GDP. Among the evident weak spots is an ambitious campaign to sell state-owned assets to raise $8.6 billion. This is entirely dependent on stock-market valuations holding up.

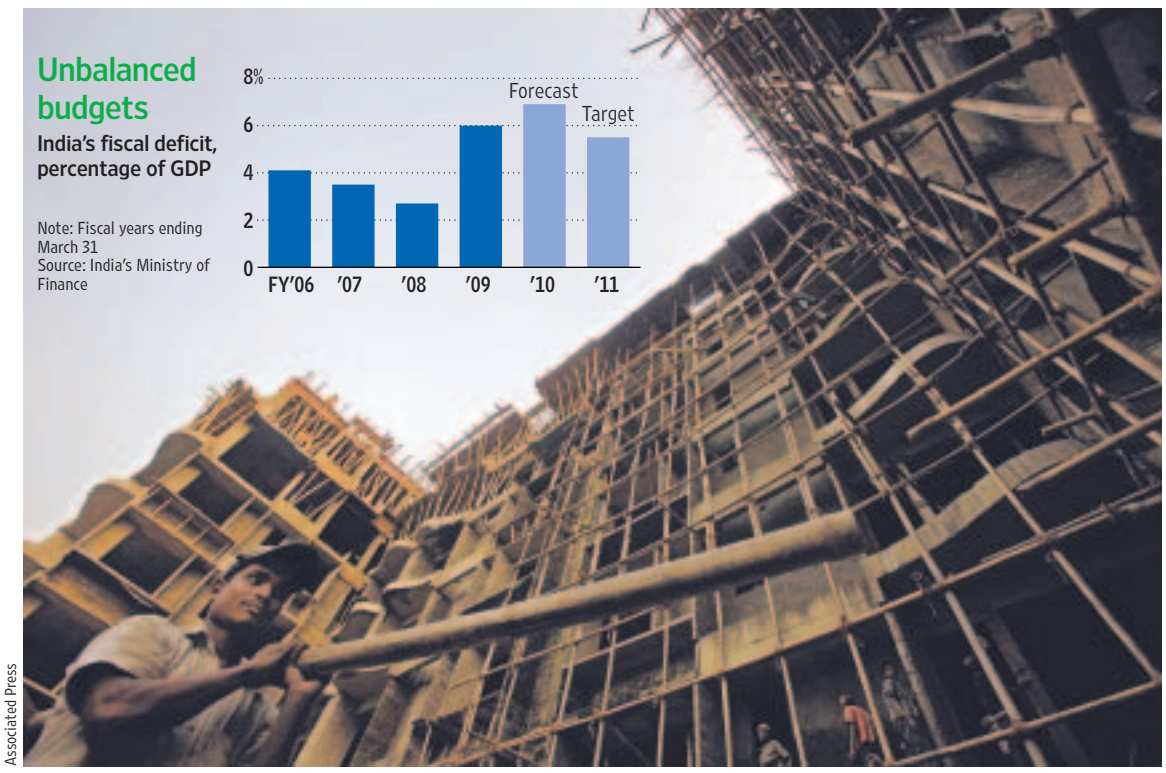
It means bond investors likely will face an increase in debt issuance by New Delhi. Private borrowers looking to tap the market may be elbowed out by the government.

New Delhi's decisions today could linger for years. Increasing social spending is easy. Rolling it back isn't. On social programs, the government will increase spending by $1.5 billion. It also will spend $8.7 billion on employment programs for the rural poor and invest close to $40 billion on infrastructure projects. Some of this is certainly merited, but it will prove a drag if economic growth slows.

Critically, New Delhi has missed another chance to push for overhauls like opening sectors to increased foreign investment or allowing pension funds to invest in infrastructure. Here, Finance Minister Pranab Mukherjee was vague, at best, leaving few expectations against which he might be measured a year from now.

On that front, though, India is proving a repeat offender.

—Harsh Joshi



Associated Press

After Greece's troubles, is Britain next for a currency crisis?

As the Greek debt crisis rumbles on, is a sterling crisis next?

With high-deficit countries in investors' sights, the pound fell to a nine-month low against the dollar this past week and, perhaps more surprising, to a six-week low against the euro, even as Greece descended into national strikes.

A crisis can be avoided, but the pound faces both internal and external vulnerabilities that will continue to make investors jittery.

Three factors are weighing on sterling: fears over the depth of the recovery, with business investment falling sharply; worries that the Bank of England may resurrect its quantitative-easing program; and concerns that an election due in the next three months will deliver no clear winner, leading to deadlock on the deficit. Friday's revision to fourth-quarter gross domestic product to show growth of 0.3% failed to deliver succor, driven as it was by government spending, leaving the pound at $1.52 and the euro up at 89 pence.

There are a few comforting factors. At least sterling doesn't suffer from the structural and institutional flaws that the Greek crisis has exposed in the European currency project. And sterling is arguably no longer overvalued: the 28% depreciation against the dollar in 2008 means it is close to its long-run average real exchange rate of $1.56, Barclays Capital notes. Sterling still can act as a safety valve rebalance the economy.

But sterling's vulnerability is exacerbated by the widespread foreign ownership of U.K. assets: Foreign investors own about half of U.K.-issued bonds, including 30% of the gilt market, RAB Capital notes. Sterling, therefore, is subject to variations in global risk appetite: If foreign investors were to lose confidence in monetary or fiscal policy, sterling could be the main victim.

This combination means any number of flash points could lead to a crisis. UBS warns that overzealous fiscal tightening could send the pound to $1.05 or below; others argue the opposite risk, a failure to tackle the fiscal deficit, would hit the pound.

Disappointing economic data, from slower growth to higher inflation, a failed gilt auction or a sharp rise in risk aversion also could trip up sterling. Nervous times indeed.

—Richard Barley

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